Supreme Court, U.S.
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No.

In the Supreme Court of the United States
October Term, 1997

Bryan L. Beckham, et al., *Petitioners,*

v.

Union Pacific Railroad Co, et al., *Respondents.*

PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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May 1998

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Question Presented

Whether pension plan participants' claims for benefits accrue for statute of limitations purposes when they are told about an event which might affect their rights in the future, or when their claims are denied by a plan fiduciary in the manner set forth in the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. §§ 1001 et seq. ("ERISA").

LIST OF PARTIES

Petitioners:

Bryan L. Beckham, Gary K. Bradshaw, William E. Dixon, Mike L. Eudy, Marshall W. Hales, Billy Joe Harmon, James M. Hentschel, Carl W. Holem, James D. Miller, Cecil Rhodes, Jr., Paul J. Richter, and Daniel A. Witte, Individually and on Behalf of All Class Members

Respondents:

Union Pacific Corporation, Union Pacific Railroad Company, Missouri Pacific Railroad Company and the Missouri-Kansas-Texas System Pension Plan for Non-Agreement Employees, by Ursula Fairbairn, Barbara Schaefer, and James Young, in their capacity as The Pension Committee of the Missouri-Kansas-Texas System Pension Plan for Non-Agreement Employees

TABLE OF CONTENTS

Opinions Below 1

Jurisdiction 1

Statutory Provisions 1

Statement of the Case 5

Reasons for Granting the Writ 10

I. The Ruling Below Conflicts With Numerous Circuit Court Decisions 11

II. The Ruling Below is Inconsistent With ERISA's Statutory Provisions 15

III. The Ruling Below Is Inconsistent With Sound Pension Policy 17

Conclusion 19

APPENDIX

Decision of the Court of Appeals (February 26, 1998) ... 1a
Memorandum Opinion and Order of the District Court (June 2, 1995) 19a
Memorandum Opinion and Order of the District Court (September 26, 1996) 26a
Fact Sheet C (Employee Benefits) The Union Pacific Railroad (UPRR), Missouri Kansas Texas Railroad Company (MKT) Merger Employee Benefit Questions and Answers 39a

Memorandum from John Parente to John Halan (February 15, 1989) 51a
Memorandum from John Halan to Committee Members (February 11, 1989) 52a
Report of Compensation, Benefits and Nominations Committee (February 23, 1989) 54a
Inclusion of and Service Credit for Former Employees of Missouri-Kansas-Texas Railroad Company under Union Pacific Corporation Benefits Plans (February 23, 1989) 55a
Letter from John Parente to Scott Bannister (October 4, 1989) 57a
Union Pacific Railroad Company Consent of Executive Committee (July 23, 1997) 64a

TABLE OF AUTHORITIES

Cases:

Anderson v. John Morrell & Co., 830 F.2d 872 (8th Cir. 1987) 11
Bennett v. Federated Mut. Ins. Co., 1998 U.S. App. LEXIS 6543 (8th Cir. 1998) 15
Booton v. Lockheed Med. Benefit Plan, 110 F.3d 1461 (9th Cir. 1997) 16
Daill v. Sheet Metal Workers Local 73 Pension Fund, 100 F.3d 62 (7th Cir. 1996) 12, 13
Halpin v. W.W. Grainger, Inc., 962 F.2d 685 (7th Cir. 1992) 16
Held v. Manufacturers Hanover Leasing Corp., 912 F.2d 1197 (10th Cir. 1990) 13
Inter-Modal Rail Employees Ass'n v. Atchison, Topeka and Santa Fe Ry. Co., 520 U.S. 510, 117 S. Ct. 1513, ___ L. Ed. 2d ___ (1997) 8, 11
Jenkins v. Local 705 International Brotherhood of Teamsters Pension Plan, 713 F.2d 247 (7th Cir. 1983) 13
Maher v. Strachan Shipping Co., 68 F.3d 951 (5th Cir. 1995) 17
Menhorn v. Firestone Tire & Rubber Co., 738 F.2d 1496 (9th Cir. 1984) 13, 14, 18
Miles v. New York State Teamsters Conf. Pension & Retirement Fund Employee Pension Benefit Plan, 698 F.2d 593 (2d Cir.), cert. denied, 464 U.S. 829 (1983) 13, 14, 17
Morgan v. Laborers Pension Trust Fund for Northern California, 433 F. Supp. 518 (N.D.Cal. 1977) 19
Nachwalter v. Christie, 805 F.2d 956 (11th Cir. 1986) .. 12
Ohio Forestry Ass'n v. Sierra Club, 1998 U.S. LEXIS 3101 (1998) 15

Paris v. Profit Sharing Plan for Employees of Howard B. Wolf, Inc., 637 F.2d 357 (5th Cir. 1981) 13, 18
Quinn v. Country Club Soda Co., 639 F.2d 838 (1st Cir. 1981) 13, 14
Rodriguez v. MEBA Pension Trust, 872 F.2d 69 (4th Cir. 1989) 13, 14, 18
Simmons v. Willcox, 911 F.2d 1077 (5th Cir. 1990) 13
Stevens v. Employer-Teamsters Joint Council No. 84 Pension Fund, 979 F.2d 444 (6th Cir. 1992) 13, 17
Tolle v. Carroll Touch, Inc., 977 F.2d 1129 (7th Cir. 1992) 11, 13
Union Pacific Railroad Co. v. Beckham, 138 F.3d 325 (8th Cir. 1998) ..... 1, 10, *passim*
Waller v. Blue Cross of Calif., 32 F.3d 1337 (9th Cir. 1994) 17
Winer v. Edison Brothers Stores Pension Plan, 593 F.2d 307 (8th Cir. 1979) 18
Wolin v. Smith Barney Inc., 83 F.3d 847 (7th Cir. 1996) 17

Statutes:

28 U.S.C. § 1254(1) (1994) 1
ERISA, 29 U.S.C. §§ 1001, et seq. ..... i, 5
ERISA §§ 101(a), 102, and 104(b), 29 U.S.C. §§ 1021(a), 1022 and 1024(b) 7
ERISA § 502(a)(1)(B), 29 U.S.C. § 1132(a)(1)(B) ..... 4, 5, *passim*
ERISA § 503, 29 U.S.C. § 1133 ..... 1, 5
29 C.F.R. § 2560.503-1 ..... 2, 5
29 C.F.R. § 2560.503-1(a) 2
29 C.F.R. § 2560.503-1(b) 2
29 C.F.R. § 2560.503-1(d) 3, 5
29 C.F.R. § 2560.503-1(e) 3
29 C.F.R. § 2560.503-1(f) 3, 5, 16

29 C.F.R. §§ 2560.503-1(g) 4, 5
29 C.F.R.§ 2560.503-1(h)(3) 4, 5, 16
Neb. Rev. Stat. 25-205 (1995) 9

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Opinions Below

The opinion of the Court of Appeals appears in the Appendix at 1a and is published at 138 F.3d 325. The District Court's opinions appear at App. 19a and App. 26a, and are unreported.

Jurisdiction

The Court of Appeals decided the case on February 26, 1998. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1) (1994).

Statutory Provisions

a. *ERISA § 503, 29 U.S.C. § 1133.* ERISA § 503, 29 U.S.C. § 1133 provides:

> In accordance with regulations of the Secretary, every employee benefit plan shall -

(1) provide adequate notice in writing to any participant or beneficiary whose claim for benefits under the plan has been denied, setting forth the specific reasons for the denial, written in a manner calculated to be understood by the participant, and

(2) afford a reasonable opportunity to any participant whose claim for benefits has been denied for a full and fair review by the appropriate named fiduciary of the decision denying the claim.

b. *The regulations accompanying ERISA § 503, 29 U.S.C. § 1133 -- 29 C.F.R. § 2560.503-1.* 29 C.F.R. § 2560.503-1 provides, in relevant part:

(a) *Scope and purpose.* - (1) This section sets out certain minimum requirements for employee benefit plan procedures pertaining to claims by participants and beneficiaries (claimants) for plan benefits, consideration of such claims, and review of claim denials, hereinafter referred to in the aggregate as "claims procedures ..."

(b) *Obligation to establish a reasonable claims procedure.* Every employee benefit plan shall establish and maintain reasonable claims procedures.

(1) A claims procedure will be deemed to be reasonable only if it:

(i) complies with the provisions of paragraphs (d) through (h) of this section ...

(d) *Filing of a claim for benefits.* For purposes of this section, a claim is a request for a plan benefit by a participant or beneficiary ...

(e) *Notification to claimant of decision.*- (1) If a claim is wholly or partially denied, notice of the decision, meeting the requirements of paragraph (f) of this section, shall be furnished to the claimant within a reasonable period of time after receipt of the claim by the plan ...

(f) *Content of notice.* A plan administrator ... shall provide to every claimant who is denied a claim for benefits written notice setting forth in a manner calculated to be understood by the claimant:

(1) The specific reason or reasons for the denial.

(2) Specific reference to pertinent plan provisions on which the denial is based:

(3) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(4) Appropriate information as to the steps to be taken if the participant ... wishes to submit his or her claim for review.

(g) *Review procedure*. (1) Every plan shall establish and maintain a procedure by which a claimant ... has a reasonable opportunity to appeal a denied claim to an appropriate named fiduciary ...

(h) *Decision on review* ... (3) The decision on review shall be in writing and shall include the specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent plan provisions on which the decision is based.

c. *ERISA § 502(a)(1)(B), 29 U.S.C. § 1132(a)(1)(B)*. ERISA § 502(a)(1)(B) provides:

(a) A civil action may be brought -

(1) by a participant or beneficiary -

(B) to recover benefits due to him under the terms of his plan, to enforce his rights under the terms of the plan, or to clarify his rights to future benefits under the terms of the plan ...

Statement of the Case

1. *The Statutory Scheme.* The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), is a comprehensive statute designed to protect the rights of plan participants. One of the critical components of that protective scheme is a requirement for detailed review and disclosure by plan fiduciaries whenever an individual participant files a "claim for benefits," defined as a "request for a plan benefit" thereunder. 29 C.F.R. § 2560.503-1(d). See generally ERISA § 503, 29 U.S.C. § 1133; 29 C.F.R. § 2560.503-1. If an individual participant makes a "claim for benefits," the claim must be reviewed pursuant to a "reasonable claims procedure," and if the claim is denied, the participant must be give a written explanation of, *inter alia,* "the specific reason or reasons for the denial" and "specific reference to pertinent plan provisions on which the denial is based." 29 C.F.R. § 2560.503-1(f). Claim denials are appealable to an "appropriate named fiduciary," and if that fiduciary rejects the appeal, the participant must be provided with a written decision which "shall include specific reasons for the decision written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent plan provisions on which the decision is based." 29 C.F.R. §§ 2560.503-1(g)(1) and (h)(3).

At that point, ERISA further protects the rights of participants by allowing them to bring civil actions in federal court to challenge denials of claims for benefits. See ERISA § 502(a)(1)(B), 29 U.S.C. § 1132(a)(1)(B). The issue in this case is whether participants' rights under this section accrue when a benefit claim is denied pursuant to the procedures set forth in ERISA, or when the participants first become aware of facts which might affect their benefits in the future.

2. *Facts*. Petitioners represent a defendant class of more than 200 former employees of the Missouri-Kansas-Texas Railroad and subsidiaries (together "MKT"). In August 1988, the Union Pacific Corporation ("UPC") acquired MKT. Prior to the acquisition, UPC corporate representatives prepared and distributed a "fact sheet" to MKT employees. App. 39a-50a. The "fact sheet" told MKT employees about UPC's benefit programs, and also announced that UPC did not intend to give to any MKT employee who accepted employment with UPC "credited service" under the Pension Plan for Salaried Employees of Union Pacific Corporation ("UP Plan") for periods of service with MKT. UPC also announced in the fact sheet that, after the acquisition, UPC intended to cease accruals of "credited service" under the Missouri-Kansas-Texas System Pension Plan for Non-Agreement Employees ("MKT Plan"). UPC's "fact sheet" did not, however, interpret either Plan or explain how or why the Plan language supported UPC's intended result. In fact, the "fact sheet" stated:

> The answers provided in this document are designed to provide the employee with a better understanding of his/her Employee Benefit Programs and may not apply to all MKT Railroad Company subsidiaries. <u>However, in all instances, the official plan texts, trust agreements, and/or master contracts with insurance companies, as appropriate, are the governing documents.</u>

App. 50a (emphasis added).

After the acquisition, Petitioners became employed at various times by the Union Pacific Railroad Company ("UPRR"), one of UPC's subsidiaries, continued to participate

in the MKT Plan and also became participants in the UP Plan. On several occasions individual Petitioners attempted to confirm or clarify their rights under the terms of the Plans through inquiries to UPC or UPRR representatives.[1] Having failed to receive any sort of satisfactory response, in late 1993, Petitioners sought legal advice from outside counsel regarding their rights under the Plans.

On February 2, 1994, counsel for the Petitioners sent a letter to UPC suggesting that its administration of the MKT Plan following the acquisition had been improper, and that Petitioners were entitled to additional "credited service" thereunder. Counsel argued that, notwithstanding UPC's apparent intentions at the time of the acquisition, the method by which it had integrated the MKT operations and employees into its own operations created an entitlement to credited service under the terms of the MKT Plan.[2] Counsel also sought information regarding the UP Plan to see whether UPC had also taken the steps necessary to effectuate its pre-acquisition intentions with respect to that Plan. UPC responded by stating that it would treat counsel's letter as a claim for benefits under the MKT Plan, and on March 31, 1994, Respondent MKT Plan

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[1] As the Court is aware, ERISA provides that participants periodically be given certain information about their plan rights and benefits, written in a way that an average person can understand. See ERISA §§ 101(a), 102, and 104(b), 29 U.S.C. §§ 1021(a), 1022 and 1024(b). It is undisputed, however, that, contrary to these requirements, UPC never provided Petitioners with updated information for the MKT Plan, nor did it provide any Petitioner with an explanation of how the UP Plan calculated benefits for former MKT employees.

[2] More specifically, counsel asserted that UPRR, Petitioners' employer after the acquisition, was a "Successor Employer" within the meaning of the MKT Plan, and that employees of Successor Employers are entitled to credited service thereunder.

Committee issued a decision denying Petitioners' claim for benefits under the terms of the MKT Plan.

3. *Proceedings*. On April 1, 1994, Respondents UPC, UPRR, the Missouri Pacific Railroad Company (another UPC subsidiary) and the MKT Plan by the MKT Plan Committee filed a "Class Action Complaint for Declaratory Judgment" against Petitioners seeking a declaration that the failure to give post-acquisition credited service under the MKT Plan was consistent with the terms of the MKT Plan and ERISA. Petitioners asserted a compulsory counterclaim pursuant to Fed. R. Civ. P. 13(a), for additional credited service under both the MKT Plan and the UP Plan. Petitioners' compulsory counterclaim did not challenge UPC's right to amend the MKT and UP Plans as UPC had announced in the "fact sheet," nor did it challenge the "fact sheet" itself, as that document had no legal effect on the Plans. Rather, Petitioners' compulsory counterclaim alleged, on the basis of events and omissions which occurred *after* the acquisition, that Petitioners are entitled to additional pension credits because UPC had never taken the formal actions necessary to amend the Plans to effectuate its pre-acquisition intentions.[3]

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[3] The record contains two memoranda in which UPC officials discussed the need to amend the MKT and UP Plans in order to effectuate its intentions. App. 51a and App. 52a-53a. See also App. 57a-63a. But, the parties agree that UPC never amended the UP Plan to effectuate its intent that Petitioners not receive "credited service" for their MKT Plan participation, and that UPC did not amend the MKT Plan until July 23, 1997 -- nearly nine years after the acquisition and over three years after this suit was filed. App. 64a-66a. But see Inter-Modal Rail Employees Ass'n v. Atchison, Topeka and Santa Fe Ry. Co., 520 U.S. 510, 117 S. Ct. 1513, 1516, ___ L.Ed. 2d ___ (1997) ("[a]n employer may, of course, retain the unfettered right to alter its promises, but to do so it must follow the formal procedures set forth in the plan.")(internal citations omitted).

Respondents moved to dismiss Petitioners' compulsory counterclaim as premature on the theory that Petitioners failed to exhaust their administrative remedies prior to asserting that counterclaim in court. The district court denied that motion, holding that the Eighth Circuit does not require that Plan-related claims be exhausted where, as here, the Plans themselves contain no exhaustion requirement. The district court also declined Respondents' suggestion that Petitioners be required to submit their compulsory counterclaim to a claims review process.[4]

Respondents then filed a motion for summary judgment contending that Petitioners' compulsory counterclaim is time-barred by Neb. Rev. Stat. § 25-505 (1995), Nebraska's five-year limitations period for actions on contracts. The district court granted that motion, concluding that Petitioners' compulsory counterclaim for benefits under ERISA § 502(a)(1)(B) accrued by no later than August 12, 1988, the date of the acquisition. App. 35a-36a. The district court recognized the "general rule in an ERISA action ... that a cause accrues when a 'claim for benefits has been made and formally denied,'" and held that here "there was no formal denial of [Petitioners' compulsory counterclaims] before [Respondents commenced] this litigation." App. 33a. Nevertheless, the district court held that Petitioners' compulsory counterclaim accrued upon their receipt of UPC's "fact sheet" because their injury -- the failure to grant credited service -- began then. App. 35a-36a.

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[4] Notwithstanding the district court's ruling, and during the pendency of litigation, the Plans' fiduciaries construed Petitioners' compulsory counterclaim as a "claim for benefits," and denied the claim in two lengthy decisions dated September 20, 1995.

The Eighth Circuit affirmed. It too recognized that "the general rule in an ERISA action is that a cause of action accrues after a claim has been made and has been formally denied." App. 12a. The court then departed from that general rule, however, holding that the accrual of Petitioners' compulsory counterclaim should be governed by the federal "discovery rule," and the "fact sheet" should have led Petitioners to discover "the injury that is the basis of the litigation." App. 12a, 15a-16a. Thus, the Eighth Circuit concluded that an ERISA claim for benefits can accrue for statute of limitations purposes "even before a claim for benefits is filed," as long as there is a "clear" and "explicit" corporate communication about how a particular corporate event might affect a participant's benefits in the future. App. 6a, 13a, 15a.

Reasons for Granting the Writ

This case presents the Court with an opportunity to resolve a conflict between the Circuits concerning a fundamental question with enormous implications for pension plan participants, sponsors and fiduciaries alike -- when does an ERISA claim for benefits accrue for statute of limitations purposes? Every day corporate officials communicate with plan participants about events which might affect benefits that could be payable years in the future, but until the Eighth Circuit's decision below, no court ever had held that such communications trigger the running of ERISA's statute of limitations. Petitioners urge the Court to issue a writ of certiorari and reaffirm the majority rule that ERISA benefit claims do not accrue until a participant makes a claim, and the claims fiduciary repudiates that claim in a clear written decision which complies with ERISA's requirements. Such a rule is required to ensure the certainty and consistency of plan administration, to protect the courts from an onslaught of

speculative claims, and to enforce the rights of pension plan participants to a full and fair opportunity to contest claims for benefits in the manner intended by Congress.[5]

I. The Ruling Below Conflicts With Numerous Circuit Court Decisions.

The Eighth Circuit held in this case, based on the federal "discovery rule," that ERISA claims for benefits accrue when a company "clearly and explicitly" tells its current or future employees how a particular corporate event may affect their pension benefits in the future. No matter that the company's statement has no legal effect on the plans, Inter-Modal Rail Employees Ass'n v. Atchison, Topeka and Santa Fe Ry. Co., 117 S. Ct at 1516,[6] or that the company could

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[5] The importance of the policy considerations here is underscored by the fact that the United States Department of Labor filed an amicus curiae brief below supporting Petitioners. According to the Department of Labor, the Respondents' theory (now adopted by the Eighth Circuit) "will require participants, and their beneficiaries, who are not yet eligible for retirement benefits, to protect themselves by filing premature court actions based on ambiguous employer statements that may later be construed as binding plan interpretations." Brief for the Secretary of Labor as Amicus Curiae, p. 10.

[6] Thus, even if the "discovery rule" did apply, the Eighth Circuit's decision is still erroneous. Even under the "discovery rule," a claim does not accrue before there has been an unlawful act (and the party bringing the lawsuit discovers an injury resulting from this unlawful act). Tolle v. Carroll Touch, Inc., 977 F.2d 1129, 1139 (7th Cir. 1992)(citation omitted). The Eighth Circuit in this case did not find that UPC's "fact sheet" was itself an unlawful act or that it had an unlawful effect. Nor could the Eighth Circuit make such a finding because ERISA's requirement that pension plans be established, maintained and amended in formal written documents means that the "fact sheet" had no legal effect on the Plans. See, e.g., Moore v. Metropolitan Life Ins. Co., 856 F.2d 488 (2d Cir. 1988); Anderson v. John Morrell & Co., 830 F.2d 872 (8th Cir. 1987)(ERISA plans are not

change its mind the next day or the next week or on ten occasions before the employees retire, or that the company's announcement is inconsistent with the actual pension plan provisions, or that subsequent events might make the statement inaccurate, or that the company has no authority to decide pension plan claims. Plan participants in the Eighth Circuit, even those who may be forty years away from receiving a pension, now have the burden of parsing through each non-fiduciary communication, reading the plan, deciding whether the communication raises issues under some plan term, and quickly filing a lawsuit alleging that the employer's intentions, coupled with other events which might occur in the future, might unfairly affect their rights in the future.

This is a burden which *eight* other Circuits have refused to place on plan participants. The First, Second, Fourth, Fifth, Sixth, Seventh, Ninth and Tenth Circuit Courts of Appeal all have rejected the "discovery rule," holding that an ERISA § 502(a)(1)(B) benefits claim does not accrue until the claim is made and formally denied by a named claims fiduciary in a clear written decision which contains the specific information required by ERISA. Daill v. Sheet Metal Workers' Local 73 Pension Fund, 100 F.3d 62, 66 (7th Cir. 1996);[7] Stevens v.

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subject to amendment as a result of informal communications between an employer and plan beneficiaries); Nachwalter v. Christie, 805 F.2d 956 (11th Cir. 1986).

[7] The Eighth Circuit claims that Daill supports its holding that an ERISA § 502(a)(1)(B) claim for benefits can accrue, and a fiduciary can "clear[ly] and unequivocal[ly]" repudiate the right to plan benefits "even before a claim is filed." Union Pacific Railroad Co. v. Beckham, 138 F. 3d at 330. The Seventh Circuit made no such ruling. Rather, it simply rejected participant's argument that his request for benefits was not a "claim for benefits" because he did not submit a formal application for benefits. The

Employer-Teamsters Joint Council No. 84 Pension Fund, 979 F.2d 444, 451, 453 (6th Cir. 1992) ("An ERISA cause of action for benefits under ERISA does not arise until a claim for benefits has been made and formally denied. Other circuits have uniformly accepted this position.")(citations omitted); Tolle, 977 F.2d 1129 (7th Cir. 1992); Simmons v. Willcox, 911 F.2d 1077, 1081 (5th Cir. 1990); Held v. Manufacturers Hanover Leasing Corp., 912 F.2d 1197, 1205 (10th Cir. 1990); Rodriguez v. MEBA Pension Trust, 872 F.2d 69, 72 (4th Cir. 1989) ("[t]o hold otherwise would require lay participants and beneficiaries to be constantly alert for 'errors or abuses that might give rise to a claim and start the statute of limitations running.'"), quoting Menhorn v. Firestone Tire & Rubber Co., 738 F.2d 1496, 1501 (9th Cir. 1984); Miles v. New York State Teamsters Conf. Pension & Retirement Fund Employee Pension Benefit Plan, 698 F.2d 593, 598 (2d Cir.), cert. denied, 464 U.S. 829 (1983) (claim does not accrue until "there has been a 'repudiation by the fiduciary' which is clear and made known to the beneficiaries.'") (internal quotations omitted); Jenkins v. Local 705 Int'l Bhd. of Teamsters Pension Plan, 713 F.2d 247, 254 (7th Cir. 1983); Quinn v. Country Club Soda Co., 639 F.2d 838, 840 (1st Cir. 1981) ("[n]umerous cases stand for the logical proposition that a cause of action for wrongful denial of pension plan benefits does not accrue until a request for benefits is denied.") (citations omitted); Paris v. Profit Sharing Plan for Employees of Howard B. Wolf, Inc., 637 F.2d 357, 361 (5th Cir. 1981) (cause of action under

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court found that the participant's written claim for pension benefits directed to the fund's trustees -- the writing that the plan itself requires - was a "claim for benefits" and that the participant's claim accrued when the plan's trustees issued a formal and final denial of his appeal. Daill, 100 F.3d at 65-66.

ERISA § 502(a)(1)(B) does not accrue until trustees interpret plan to deny benefits).

Many of these cases expressly rejected the argument accepted by the court below -- that representations about a participant's benefit prior to formal denial by a plan fiduciary trigger claims accrual for statute of limitations purposes. In Menhorn, 738 F.2d at 1501, for example, the Ninth Circuit rejected the argument that the participant's claim for additional pension service credits accrued in 1967, when the participant was told that his resignation from Firestone would cause him to lose the pension service credits in question. Instead, the Ninth Circuit held that the participant's claim accrued in 1980, when the plan fiduciary formally denied his claim for benefits and told the participant why the Plan did not provide for the credits he sought. Similarly, the Fourth Circuit in Rodriguez, 872 F.2d at 71-72, expressly rejected the theory that a participant's claim accrued a year before the trustees' decision, when the participant first made his claim, or thirteen years before, when the Trust administrator (as opposed to the claims fiduciary) advised Rodriguez that he had no right to future pension accruals. And, in Miles, 698 F.2d at 598-599, the Second Circuit held that the participants' claim accrued when they received clear notice that the claims fiduciary repudiated their claim by denying them a pension, and not seven years earlier when their representatives were told, and they were put on notice, as to how the fiduciaries intended that their service be credited under the plan. See also Quinn, 639 F.2d at 840-841 (plaintiff's cause of action did not accrue until he retired and claimed benefits from plan despite the fact that a plan trustee and company president had told plaintiff sixteen years before how he would be treated).

Unfortunately, it now appears that the Eight Circuit's decision here is not an aberration in that court. A subsequent panel has cited the decision as precedent for the proposition that the "discovery rule" determines when a claim accrues for statute of limitations purposes in ERISA claims cases. See Bennett v. Federated Mut. Ins. Co., 1998 U.S. App. LEXIS 6543 (8th Cir. 1998). Thus, the Circuits will remain at odds unless this Court moves quickly to resolve the conflict.

II. The Ruling Below is Inconsistent With ERISA's Statutory Provisions.

The Eighth Circuit's embrace of the "discovery rule" in ERISA claims cases places the burden on participants to figure out for themselves whether a plan sponsor's representations are consistent with the statute or the terms of the plan. As the Court can see, the UPC "fact sheet" did not tell the Petitioners why they would not have additional credited service; in particular, there was no explanation of which Plan provisions would dictate that result. On the contrary, UPC told Petitioners that that might not happen at all if they worked for certain MKT subsidiaries, and in any event, they would have to figure it out for themselves since "in all instances, the official plan texts, trust agreements, and/or master contracts with insurance companies, as appropriate, are the governing documents." App. 50a.[8]

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[8] As noted, the factual underpinnings of Petitioners' claim -- their employment with a "Successor Employer" within the meaning of the MKT Plan and the failure of UPC to follow through on its intention to amend the Plans -- had not even happened when the "fact sheet" was circulated. See p. 7 and n. 2, supra. Thus, the Eighth Circuit has held here that the Petitioners' claims accrued before the facts which entitle them to relief had even occurred. But cf. Ohio Forestry Ass'n v. Sierra Club, 1998 U.S. LEXIS 3101 at *13-*18 (1998) (holding that an unimplemented United

It is quite clear that UPC never intended its "fact sheet" to be an official plan interpretation, much less a claims denial within the meaning of ERISA. It is not written in a manner calculated to be understood by the plan participant, nor does it contain specific information including "[t]he specific reason or reasons for the denial" and "[s]pecific reference to pertinent plan provisions on which the denial is based." 29 C.F.R. § 2560.503-1(f). See also 29 C.F.R. § 2560.503-1(h)(3) (requirements for decision on review); Booton v. Lockheed Med. Benefit Plan, 110 F.3d 1461, 1463 (9th Cir. 1997)("There is nothing extraordinary about this [regulation]; it's how civilized people communicate with each other regarding important matters."); Halpin v. W.W. Grainger, Inc., 962 F.2d 685, 689, 693 (7th Cir. 1992).

Congress did not intend that plan sponsors could circumvent the claims procedure by issuing announcements that, at best, put participants on notice that their benefits might be wrongly calculated when they retire. No one could read ERISA's provisions and conclude that Congress intended to put the burden on plan participants to try to "discover" how a company's communications about particular corporate events might someday interplay with complicated plan provisions and impact their pension rights. Rather, ERISA places the burden on plan administrators and claims fiduciaries to tell participants in a clearly written explanation exactly why the actual plan provisions do not provide for the claimed benefits. That, and

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States Forest Service land and resource management plan is not ripe for judicial review because, among other things, it "do[es] not command anyone to do anything or to refrain from doing anything . . . [it] create[s] no legal rights or obligations" and because "the possibility that further consideration will actually occur before the Plan is implemented is not theoretical, but real" (internal citations ommitted).

not a conclusory written notice like UPC's "fact sheet," is the sort of "repudiation by a fiduciary which is clear and made known to the beneficiaries" which has been held time and again as necessary to "accrue" an ERISA § 502(a)(1)(B) benefits claim for statute of limitations purposes. See, e.g., Miles, 698 F.2d at 598.[9]

III. The Ruling Below Is Inconsistent With Sound Pension Policy.

The majority rule that ERISA § 502(a)(1)(B) claims for benefits do not accrue until a plan fiduciary has formally repudiated a claim protects the rights of plan participants while ensuring that the courts and plan sponsors will not be burdened with multiple and premature benefit actions. In particular, the majority rule prevents unfairness to participants, particularly young employees, who simply "cannot be expected to inquire about benefits until retirement." Stevens v. Employer-

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[9] Significantly, the courts have also concluded that the "discovery rule" does not apply to claims under ERISA that a fiduciary has breached its duties to a plan participant, reasoning that a claim does not accrue upon notice of the wrong, but rather when the participant gains actual knowledge of how the fiduciary's conduct violates the law. See Wolin v. Smith Barney Inc., 83 F.3d 847, 854-855 (7th Cir. 1996) (rejecting the federal "discovery rule" and holding that the statute of limitations in an ERISA breach of fiduciary duty case "does not begin to run until the plaintiff knows everything that he needs to know in order to sue...."); Maher v. Strachan Shipping Co., 68 F.3d 951, 954 (5th Cir. 1995)(actual knowledge of a violation under ERISA "requires a showing that plaintiffs actually knew not only of the events that occurred which constitute the breach or violation but also that those events supported a claim.")(internal quotation omitted); Waller v. Blue Cross of Calif., 32 F.3d 1337, 1341 (9th Cir. 1994)("[t]he disclosure of a transaction that is not inherently a statutory breach ... cannot communicate the existence of an underlying breach")(internal quotation omitted).

Teamsters Joint Council, 979 F.2d at 451, quoting Rodriguez v. MEBA Pension Trust, 872 F.2d at 72. Certainly participants cannot be expected to anticipate the scores of corporate events which might occur that could interact with their individual work experiences to alter the effect of a particular corporate promise or event on his benefits. Indeed, in this case, Petitioners allege that their entitlement to additional pension credit is based on corporate acts that occurred *after* the dissemination of the "fact sheet" in August, 1988.[10]

In contrast to the bright-line test of the majority rule with its genesis in the claims review provisions of ERISA, the Eighth Circuit's ad hoc position would create enormous uncertainty for employees and employers. Requiring participants to file a lawsuit on the basis of representations made decades before retirement, as the Eighth Circuit has done here, no doubt will "burden the judicial system with multiple and premature actions" and "result in a great waste of judicial resources ...[by] [r]equiring piecemeal challenges before an actual denial has occurred." Rodriguez v. MEBA, 872 F.2d at 72; Paris v. Profit Sharing Plan, 637 F.2d at 361. See also

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[10] Ironically, an Eighth Circuit case from 1979 perhaps most convincingly explains why its new rule is so unfair. In Winer v. Edison Bros. Stores Pension Plan, 593 F.2d 307, 312 (8th Cir. 1979), the court stated:

> Automatic forfeitures [prior to a formal claims denial] ... would place intolerable burdens on employees. They would be required to constantly oversee operations of pension committees in order to protect themselves against abuses and errors that could pass unnoticed. Otherwise, they would risk losing their cause of action years before they applied for pension benefits. This is inconsistent with the remedial purposes of ERISA.

Menhorn v. Firestone Tire & Rubber Co., 738 F.2d at 1500, n.3 and 1501. As the Court said in Morgan v. Laborers Pension Trust Fund for Northern California, 433 F. Supp. 518, 522 (N.D.Cal. 1977):

> One might argue that the real wrong committed against plaintiffs occurred not on the date that their applications [for benefits] were denied, but on the date that their prior pension credit was automatically cancelled due to a break in service, or the date on which their service hours were first calculated unfairly or erroneously... While this "date of original wrong" argument has some merit, the Court must reject it for a number of reasons... Requiring piecemeal challenges before an actual denial has occurred would also result in a great waste of judicial resources. Plaintiffs would file separate actions each time an alleged wrong occurred, rather than consolidating all claims in a single suit after their pensions were denied... The "date of original wrong" rule would also saddle courts with the extremely difficult task of determining exactly when abuses like errors in computation took place, compared to the simplicity and certainty of using the date that the pension application was denied.

Conclusion

The question presented here -- when an ERISA pension plan participant's claim for benefits accrues for purposes of ERISA § 502(a)(1)(B) -- affects employers, pension plans and employees throughout the nation. The Eighth Circuit's use of

the federal "discovery rule" to answer this question places it in a conflict with eight other circuits, and with ERISA's basic statutory protections, and creates enormous uncertainty for plan administration. We urge the Court to issue a writ of certiorari to resolve the conflict and to avoid confusion, harm and mischief in this important area of law.

Respectfully submitted,

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United States Court of Appeals
FOR THE EIGHTH CIRCUIT

No. 97-1783

Union Pacific Railroad Company; Missouri Pacific Railroad Company; Union Pacific Corporation; Missouri-Kansas-Texas System Pension Plan For Non-Agreement Employees, by Ursula Fairbairn, Barbara Schaefer, and James Young, in their capacity as the pension committee,	*	
Appellants,	*	
v.	*	
Bryan L. Beckham; Gary K. Bradshaw; William E. Dixon; Mike L. Eudy; Marshall W. Hales; Billy Joe Harmon; James M. Hentschel; Carl W. Holem; James D. Miller; Cecil Rhodes, Jr.; Paul J. Richter; Daniel A. Witte,	*	Appeal and Cross-Appeal from the United States District Court for the District of Nebraska
Appellees,	*	
Wyatt Company, The; Towers Perrin,	*	
Interested Parties,	*	

Pension Plan For Salaried Employees of Union Pacific Corporation and Affiliates, *

Defendant, *

Secretary of Labor, *

Amicus Curiae, *

Bryan L. Beckham; Gary K. Bradshaw; William E. Dixon; Mike L. Eudy; Marshall W. Hales; Billy Joe Harmon; James M. Hentschel; Carl W. Holem; James D. Miller; Cecil Rhodes, Jr.; Paul J. Richter; Daniel A. Witte, *

Appellees, *

Union Pacific Corporation; Missouri-Kansas-Texas System Pension Plan For Non-Agreement Employees; Pension Committee of the MKT Plan; Named Fiduciary-Plan Administration of the UP Plan (The "UP Plan Administrator"), *

Appellants. *

No. 97-1783

Union Pacific Railroad Company; *
Missouri Pacific Railroad Company; *

Union Pacific Corporation; Missouri-Kansas-Texas System Pension Plan For Non-Agreement Employees, by Ursula Fairbairn, Barbara Schaefer, and James Young, in their capacity as the pension committee,

Appellees,

Bryan L. Beckham; Gary K. Bradshaw; William E. Dixon; Mike L. Eudy; Marshall W. Hales; Billy Joe Harmon; James M. Hentschel; Carl W. Holem; James D. Miller; Cecil Rhodes, Jr.; Paul J. Richter; Daniel A. Witte,

Appellants,

Wyatt Company, The; Towers Perrin,

Interested Parties,

Pension Plan For Salaried Employees of Union Pacific Corporation and Affiliates, for Salaried Employees of Union Pacific Corporation and Affiliates,

Defendant,

Secretary of Labor,

Amicus Curiae,

Bryan L. Beckham; Gary K. Bradshaw; William E. Dixon; Mike L. Eudy; Marshall W. Hales; Billy Joe Harmon; James M. Hentschel; Carl W. Holem; James D. Miller; Cecil Rhodes, Jr.; Paul J. Richter; Daniel A. Witte,	*
Appellants,	*
Union Pacific Corporation; Missouri-Kansas-Texas System Pension Plan For Non-Agreement Employees; Pension Committee of the MKT Plan; Named Fiduciary-Plan Administration of the UP Plan (The "UP Plan Administrator"),	*
Appellees.	*

Submitted: December 8, 1997
Filed: February 26, 1998

Before McMILLAN, MAGILL, and MURPHY, Circuit Judges.

MAGILL, Circuit Judge.

Employers and their employees have brought this interlocutory appeal and cross-appeal of the district court's grant of partial summary judgment on claims and cross-claims for declaratory relief regarding the employers' interpretations of their ERISA pension plans. The district court held that the employees' cross-claim challenges, filed in 1994, to the

employers' 1988 interpretations of their plans were time-barred, but that the cross-claim challenge to a 1992 amendment to one of the employer's plans, which relied on the 1988 interpretation of its plan, was not time-barred. Because we find that all of the cross-claims in this matter are time-barred, we affirm in part and reverse in part.

I.

Prior to 1988, the Missouri-Kansas-Texas Railroad Company (MKT) maintained a pension plan (the MKT Plan) for its employees. The MKT Plan provided for the payment of benefits to eligible MKT employees in accordance with the amount of "Credited Service" they accrued while employed by MKT. Under the MKT Plan, an eligible employee accrued "Credited Service" in accordance with the number of hours that the employee worked with MKT during a plan year.

In 1986, the Missouri Pacific Railroad Company (MPRR), a subsidiary of Union Pacific Company (UP), negotiated to acquire substantially all shares of stock in MKT. The Interstate Commerce Commission (ICC) approved the acquisition in May 1988, and on August 12, 1988, MPRR acquired substantially all shares of stock in MKT and assumed direct control over MKT's assets. Prior to the acquisition, UP maintained a pension plan (the UP Plan) for its employees which, like the MKT Plan, provided for the payment of benefits to eligible employees in accordance with the amount of "Credited Service" they accrued while employed by UP. Under the UP Plan, an employee accrued "Credited Service" in accordance with the number of hours that the employee worked with UP during a plan year.

After the ICC approved the acquisition, but before MPRR's direct control, MKT and UP provided the MKT

employees with the option either to accept a voluntary severance package from MKT and terminate their employment prior to the acquisition date or to become employed, as of the acquisition date, by UP. UP explained in explicit terms to the MKT employees that if they opted to become UP employees, then they would cease to accumulate "Credited Service" under the MKT Plan as of the acquisition date. UP also clearly explained that once the MKT employees commenced working for UP, they would begin accumulating "Credited Service" under the UP Plan but would not receive any "Credited Service" under the UP Plan for their pre-acquisition MKT service.

To specifically demonstrate the effects of the acquisition on the MKT employees' pension benefits under the MKT Plan and the UP Plan, UP distributed "fact sheets" to the MKT employees and held three open meetings where the employees were permitted to ask questions about the effect of the acquisition on the various plan benefits. Each fact sheet asserted that prior MKT service would not be used to determine a former MKT employee's accrual of "Credited Service" under the UP Plan. In addition, each fact sheet provided an example illustrating that post-acquisition UP service would not be used to determine an employee's accrual of "Credited Service" under the MKT Plan.

Rather than accepting the severance offer, several former MKT employees, including Bryan L. Beckham, Gary K. Bradshaw, William E. Dixon, Mike L. Eudy, Marshall W. Hales, Billy Joe Harmon, James M. Hentschel, Carl W. Holem, James D. Miller, Cecil Rhodes, Jr., Paul J. Richter, and Daniel A. Witte (collectively, the claimants), ceased employment with MKT and accepted employment with UP. The claimants concede that they received the UP fact sheets

and that, as of August 1988, they were aware that "after the UP/MKT merger, [they] would cease earning Credited Service under the MKT Plan, and that [they] would not receive Credited Service under the UP Plan for [their] MKT employment." Witte Aff. ¶ 3, reprinted in III J.A. at 84950.

On September 24, 1992, the UP Plan was amended to offer a voluntary early retirement incentive program (VERIP) to UP employees who had acquired at least four years of continuous "Credited Service" with UP as of December 31, 1992. Consistent with its benefits accrual policy adopted and explained to the claimants in 1988, UP refused to consider former MKT employees' pre-acquisition service with MKT when determining their eligibility for the VERIP. The VERIP expired in December 1992.

In 1993, the claimants sought legal advice concerning UP's refusal to count pre-acquisition MKT service as "Credited Service" under the UP Plan and post-acquisition UP service as "Credited Service" under the MKT Plan. Prior to this time, the claimants assumed either that UP's determinations concerning "Credited Service" were proper interpretations of the plans or that UP intended to change the plans to bring about this result. See id. ¶ 4, reprinted in III J.A. at 850. In March 1994, however, the claimants wrote a letter to UP threatening litigation concerning the refusal to consider post-acquisition UP service when calculating benefits under the MKT Plan. UP referred the letter to the Pension Committee of the MKT Plan (MKT Plan Committee), which deemed the claimants' letter to be a request for benefits. On March 31, 1994, the MKT Plan Committee denied the claimants' request for benefits, asserting that UP service did not count as "Credited Service" under the MKT Plan.

On April 1, 1994, UP, Union Pacific Railroad Company, MPRR, and the MKT Plan filed a class action complaint for declaratory judgment under the Employee Retirement Income Security Act of 1974 (ERISA), 29 U.S.C. §§ 1001-1461, against the claimants. In their complaint, plaintiffs sought a determination that their construction of the MKT Plan and their refusal to count post-acquisition UP employment as "Credited Service" under the MKT Plan was neither arbitrary, capricious, nor an abuse of discretion. The claimants counterclaimed pursuant to 29 U.S.C. § 1132(a)(1)(B) and (3), naming UP, the MKT Plan, the MKT Plan Committee, the UP Plan, and the UP Plan Administrator as counterclaim defendants (collectively, the UP Parties). In their counterclaim, the claimants sought remedies under ERISA relating to the UP Parties' construction and implementation of the UP Plan, the MKT Plan, and the VERIP. After amending their counterclaim, the claimants alleged four causes of action (counts I-IV) against the UP Parties relating to their refusal to count post-acquisition UP service as "Credited Service" under the MKT Plan, one cause of action (count V) against the UP Parties relating to their refusal to count pre-acquisition MKT service as "Credited Service" under the UP Plan, and one cause of action (count VI) against the UP Parties relating to their refusal to count pre-acquisition MKT service as "Credited Service" when determining eligibility for the VERIP.[11]

The UP Parties moved to dismiss or stay the counterclaims because the claimants had failed to exhaust

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[11] The amended counterclaim also included a seventh count relating to UP's alleged failure to comply with various ERISA disclosure requirements. However, that count was not certified as a class claim and was not a subject of the underlying motions for summary judgment and, thus, is not before this Court on appeal.

available administrative remedies under the UP Plan and the MKT Plan. The UP Parties argued that the claimants never appealed the MKT Plan Committee's denial of benefits and that the claimants never attempted to seek benefits under the UP Plan or the VERIP before filing their counterclaim. The claimants contended that exhaustion of administrative remedies would be futile and inappropriate because their claims were asserted as compulsory counterclaims to the UP Parties' Complaint. The district court agreed that requiring the claimants to exhaust their administrative remedies was futile because "[t]here is no indication that the position taken by the [UP Parties] since 1988 and in their complaint would be subject to change if the [claimants] initiated or participated in an optional administrative review process. "Mem. and Order at 5 (D.Neb. June 2, 1995), reprinted in Appellants' Add. at 5.

The UP Parties subsequently filed a motion for summary judgment on the grounds that the claimants failed to state claims upon which relief could be granted and, alternatively, that their claims were time-barred. The district court dismissed counterclaim counts II and V (breach of fiduciary duty claims) for failure to state a claim. The district court also dismissed counterclaim counts I, III, IV, and V as time-barred by the applicable Nebraska statute of limitations. The district court refused, however, to dismiss counterclaim count VI (relating to the VERIP).

The UP Parties, after conducting a sue sponte administrative appeal of the claimants' claims,[12] also submitted

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[12] The UP Parties conducted the review on their own initiative and "invited" the claimants to submit documents for consideration. Only a few of the claimants accepted this offer, however, because the district court had already ruled that requiring the claimants to exhaust the administrative

a motion for summary judgment on the merits, arguing that the district court must review the UP Parties' "Credited Service" interpretation under an abuse of discretion standard. The district court denied the motion, reasoning that deferential review was inappropriate here, where exhaustion was not required.

The district court, in accordance with 28 U.S.C. § 1292(b), certified each of its orders for appeal. The UP Parties appeal the district court's refusal to dismiss counterclaim count VI, the district court's refusal to require the claimants to exhaust their administrative remedies, and the district court's refusal to review their final administrative decision under a deferential standard. The claimants appeal the district court's dismissal of counterclaim counts I, III, IV, and V as time-barred.[13]

II.

We review the district court's grant of summary judgment de novo, applying the same standards as the district court. See Mayard v. Hopwood, 105 F.3d 1226, 1227 (8th Cir. 1997). Summary judgment is appropriate only if, after viewing the facts and the inferences to be drawn from them in the light most favorable to the nonmoving party, the record shows that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. See

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procedure would be futile.

[13] None of the parties' briefs address the district court's dismissal of counterclaim counts II and V for failure to state a claim. Accordingly, we will not address the district court's dismissal of these counts on this ground.

Fed. R. Civ. P. 56(c); Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 587 (1986).

After reviewing the record, we find that each of the claimants' claims is time-barred. Because ERISA does not contain a statute of limitations for actions seeking to recover plan benefits or to clarify rights to future plan benefits under § 1132(a)(1)(B), or for actions alleging violations of 29 U.S.C. § 1054(g) and (h), this Court looks to state law for the most analogous statute of limitations. See Adamson v. Armco, Inc., 44 F.3d 650, 652 (8th Cir. 1995). In this case, the parties agree that the most analogous state statute of limitations for counterclaim counts I, III, IV, V, and VI is Nebraska's five-year statute of limitations for actions on written contracts. See Neb. Rev. Stat. Ann. 25-205(1) (Michie 1995); Johnson v. State Mut. Life Assurance Co. of Am., 942 F.2d 1260, 1263 (8th Cir. 1991) (en banc) (suit brought under § 1132(a)(1)(B) "should be characterized as a contract action for statute of limitations purposes").

When analyzing the effects of statutes of limitations, the Supreme Court has stated that "the length of the [limitations] period allowed for instituting suit inevitably reflects a value judgment concerning the point at which the interests in favor of protecting valid claims are outweighed by the interests in prohibiting the prosecution of stale ones." Johnson v. Railway Express Agency, Inc., 421 U.S. 454, 463-64 (1975). Important policies, such as rapid resolution of disputes, repose for those against whom a claim could be brought, and avoidance of litigation involving lost evidence or distorted testimony of witnesses, underlie statutes of limitations. See Wilson v. Garcia, 471 U.S. 261, 271 (1985). Accordingly, statutes of limitations "for gaining access to the federal courts are not to be disregarded by courts out of a vague sympathy for particular

litigants," Baldwin County Welcome Ctr. v. Brown, 466 U.S. 147, 152 (1984) (per curiam), and strict adherence to such limitations periods "is the best guarantee of evenhanded administration of the law." Mohasco Corp. v. Silver, 447 U.S. 807, 826 (1980).

In this case, and despite determining the limitations period by analyzing state law, this Court looks to federal common law to determine the time at which a plaintiff's federal claim accrues. See Cada v. Baxter Healthcare Corp., 920 F.2d 446, 450 (7th Cir. 1990); see also Connors v. Hallmark & Son Coal Co., 935 F.2d 336, 341 (D.C. Cir. 1991) (citing cases). In a federal question case, and in the absence of a contrary directive from Congress, the "discovery rule," according to which a plaintiff's cause of action accrues when he discovers, or with due diligence should have discovered, the injury that is the basis of the litigation, is used to determine when a plaintiffs federal claim accrues. See Alcom v. Burlington N.R.R., 878 F.2d 1105, 1108 (8th Cir. 1989) (cause of action accrues "when a claimant knows, or should know through an exercise of reasonable diligence, of the acts constituting the alleged violation"); see also Connors, 935 F.2d at 342 (citing eight circuits holding that "the discovery rule is the general accrual rule in federal courts . . . [and] is to be applied in all federal question cases"); Cada, 920 F.2d at 450 (holding that the discovery rule is "read into statutes of limitations in federal question cases (even when those statutes of limitations are borrowed from state law)").

Consistent with the discovery rule, the general rule in an ERISA action is that a cause of action accrues after a claim for benefits has been made and has been formally denied. See Cotter v. Eastern Conf. of Teamsters Retirement Plan, 898 F.2d 424, 428-29 (4th Cir. 1990). Thus, a beneficiary cannot

successfully argue that he was unaware of an injury after a claim for benefits has been formally denied. Nonetheless, and still consistent with the discovery rule, an ERISA beneficiary's cause of action accrues before a formal denial, and even before a claim for benefits is filed, "when there has been a repudiation by the fiduciary which is clear and made known to the beneficiar[y]." Miles v. New York State Teamsters Conf. Pension & Retirement Fund Employee Pension Benefit Plan, 698 F.2d 593, 598 (2d Cir. 1983) (quotations and citations omitted); see also Daill v. Sheet Metal Workers' Local 73 Pension Fund, 100 F.3d 62, 66 (7th Cir. 1996) ("a cause of action accrues upon a clear and unequivocal repudiation of rights under the pension plan which has been made known to the beneficiary," even if such repudiation occurs prior to the beneficiary's submission of a formal claim); Schroeder v. Phillips Petroleum Co., 970 F.2d 419, 420 (8th Cir. 1992) (per curiam) (agreeing with district court that cause of action accrued in 1986, when beneficiaries were clearly aware that they would not receive benefits, despite fact that beneficiaries had not yet filed applications for benefits); Martin v. Construction Laborer's Pension Trust, 947 F.2d 1381, 1385 (9th Cir. 1991) (cause of action accrues upon a "clear and continuing repudiation of [the beneficiary's] claim"); Cotter, 898 F.2d at 429 (absent a formal claim and a formal denial of the claim, a beneficiary's cause of action accrues at "the time at which some event other than a denial of a claim should have alerted [the beneficiary] to his entitlement to the benefits he did not receive").

In this case, the claimants were unequivocally informed by August 12, 1988, that their pre-acquisition MKT service would not be used to determine "Credited Service" under the UP Plan and that their post-acquisition UP service would not be

used to determine "Credited Service" under the MKT Plan. The claimants have averred that

> [s]ince 1986 . . . [the claimants] repeatedly have been informed by numerous individuals, including employee benefit department employees and the Chairman and Chief Executive Officer of the Union Pacific Railroad, that they would not receive any benefit credit under the UP Plan for their MKT service. At no time has any corporate or UP Plan official indicated that this position would be changed, or even that it was under review.

Mem. of Law in Opp'n to Mot. to Dismiss or to Stay Defs.' Am. Countercl., Apr. 14, 1995 at 15-16 (footnote omitted). One of the claimants submitted an affidavit to the district court, asserting that

> [i]n or about August 1988, various corporate representatives of the Union Pacific Railroad informed me and other class members that after the UP/MKT merger, we would cease earning Credited Service under the MKT Plan, and that we would not receive Credited Service under the UP Plan for our MKT employment.

Witte Aff. 113, reprinted in III J.A. at 849-50. Witte also asserted that at that time, "we thought we were being treated unfairly." Id. ¶ 4, reprinted in III J.A. at 850.

Prior to the August 1988 acquisition, UP held several open meetings and distributed literature to explain to MKT employees that pre-acquisition MKT service would not be used

to determine "Credited Service" under the UP Plan and that post-acquisition UP service would not be used to determine "Credited Service" under the MKT Plan. The fact sheets distributed by UP stated that "UP service after the merger date will be used for the accrual of pension benefits only under the UP Plan." Fact Sheet C, Question 11 and Answer, reprinted in Appellants' Add. at 74. The fact sheets also announced that "[p]rior [MKT] service will not be used to determine accrual under the UP Plan for pension benefits." Id., Question 9 and Answer, reprinted in Appellants' Add. at 73. The fact sheets also provided the following example to demonstrate how MKT service and UP service would be allocated when determining pension benefits under the different pension plans at retirement:

> Employee "C" has six years creditable service with MKT, joins UP and works four years before deciding to retire... [Upon retiring,] Employee "C" will receive a pension benefit calculated on six years of service under the MKT pension plan and four years under the UP pension plan.

Id.

As of August 1988, the UP Parties had clearly and unequivocally informed the claimants that their pre-acquisition MKT service would not count as "Credited Service" under the UP Plan and that their post-acquisition UP service would not count as "Credited Service" under the MKT Plan. The claimants, at that time, believed that this allocation scheme was "unfair" and improper, and could have filed a cause of action challenging the UP Parties' interpretation of "Credited Service" under either of the plans. Accordingly, we hold that the claimants' causes of action, as alleged in amended counterclaim

counts I, III, IV, and V, accrued in August 1988.[14] Because the claimants did not file their counterclaim until 1994, these counts are time-barred under the applicable five-year statute of limitations.

The claimants argue that even if counterclaim counts I, III, IV, and V are time-barred, counterclaim count VI cannot be time-barred because the VERIP was not offered until 1992. We disagree.

To prevail under counterclaim count VI, the claimants must establish that the UP Parties' interpretation of "Credited Service" under the UP Plan when determining eligibility for the VERIP is incorrect. See First Am. Answer and Countercl., Count VI, at 21-22, reprinted in I J.A. at 100-01.[15] The UP

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[14] The claimants' argument that exhaustion of remedies would be futile in this case supports this conclusion. When exhaustion is futile, an ERISA beneficiary's claim "accrue[s] at the time at which it became futile to apply for benefits, because . . . at that time there was a de facto denial of [the beneficiary's] claim." Barnett v. International Bus. Machs. Corp., 885 F. Supp. 581, 591 (S.D.N.Y. 1995); see also Schroeder v. Phillips Petroleum Co., 970 F.2d 419, 420 (8th Cir. 1992) (agreeing with district court that cause of action accrued in 1986 when facts demonstrated futility since 1986). The claimants argue that requiring them to exhaust their administrative remedies has been futile since August 1988, after the UP Parties had specifically informed them that they would not receive any "Credited Service" under the UP Plan for pre-acquisition MKT service and that they would not receive any "Credited Service" under the MKT Plan for post-acquisition UP service. Taking these allegations as true, the claimants' causes of action, as alleged in counterclaim counts I, III, IV, and V, accrued no later than August 1988--over five years before they filed their counterclaim.

[15] Count VI, in relevant part, provides:

71. Because UPC [Union Pacific Corporation] and the

Parties' interpretation of"Credited Service" under the UP Plan when determining VERIP eligibility, however, is the same as their interpretation of "Credited Service" under the UP Plan when determining benefits, which is the basis of counterclaim count V. As we have held, the claimants are time-barred from challenging this long-standing interpretation.

"Where a complaint based upon an earlier event is time-barred, to permit the event itself to cloak with illegality that which was otherwise lawful in effect results in reviving a legally defunct" claim. Lorance v. AT&T Techs., Inc., 490 U.S. 900, 911 (1988) (alterations, quotations, and citation omitted).[16] The claimants' attempt to utilize the VERIP to challenge the UP Parties' interpretation of "Credited Service" under the UP Plan is nothing more than an attempt to revive their time-barred claim concerning this interpretation. Because the claimants cannot successfully challenge the interpretation

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> Plan Administrator erroneously determined that Counterclaim Plaintiffs were not entitled to any Credited Service under the UP Plan for their Credited Service under the MKT Plan, UPC refused to allow Counterclaim Plaintiffs to participate in the VERIP. The VERIP subsequently expired.
>
> 72. UPC and the Plan Administrator have denied Counterclaim Plaintiffs a UP Plan benefit to which they are entitled, i.e., early retirement with an enhanced pension ....

First Am. Answer and Countercl. at 22, ¶¶ 71-72.

[16] Noting that Lorance's specific holding has been abrogated by statute--42 U.S.C. § 2000e-5(e)(2)--the Seventh Circuit recently held that Lorance's "reasoning remains persuasive outside of the Title VII/intentionally discriminatory seniority system context." Huels v. Exxon Coal USA, Inc., 121 F.3d 1047, 1050 n.1 (7th Cir. 1997) (citation omitted).

of "Credited Service" under the UP Plan, the claimants' challenge to the UP Parties' eligibility determination under the VERIP in counterclaim count VI must fail as a matter of law. See Wilson v. International Bus. Machs. Corp., 62 F.3d 237, 240 (8th Cir. 1995) (defendant entitled to summary judgment if plaintiff cannot establish a factual dispute on an element of its cause of action (citing Bialas v. Greyhound Lines, Inc., 59 F.3d 759, 762 (8th Cir. 1995))). Accordingly, the district court erred in failing to grant summary judgment to the UP Parties on this count.

III.

For the foregoing reasons, we affirm the district court order dismissing counterclaim counts I, III, IV, and V as time-barred, we reverse the district court order refusing to dismiss counterclaim count VI, and we remand for further proceedings consistent with this opinion.

A true copy.

Attest:

CLERK, U.S. COURT OF APPEALS,
EIGHTH CIRCUIT.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEBRASKA

UNION PACIFIC CORPORATION, et al.,	)	
Plaintiffs,	)	
vs.	)	
BRYAN L. BECKHAM, et al.,	)	
Individually and on Behalf of All Class Members,	)	8:CV94-189
Defendants and Counterclaim Plaintiffs,	)	MEMORANDUM AND ORDER
vs.	)	
PENSION PLAN FOR SALARIED EMPLOYEES OF UNION PACIFIC CORPORATION, et al.,	)	
Counterclaim Defendants	)	

Before the court are the following: (1) filing no. 34, the "Motion to Dismiss or to Stay Defendants' Amended Counterclaim" (the "motion to dismiss") filed by the plaintiffs, Union Pacific Corporation ("UPC"), Union Pacific Railroad Company ("UPRR"), Missouri Pacific Railroad Company

("MPRR"), the Missouri-Kansas-Texas System Pension Plan for Non-Agreement Employees ("MKT Plan") by Ursula Fairbairn, Barbara Schaefer and James Young ("MKT Plan Committee"); and counterclaim defendants, the Pension Plan for Salaried Employees of Union Pacific Corporation ("UP Plan") and the Named Fiduciary-Plan Administrator of the UP Plan ("UP Plan Administrator"); (2) filing no. 36, the "Motion for Leave to File A Reply in Support of Motion to Dismiss or to Stay Defendants' Amended Counterclaim" filed by the plaintiffs and counterclaim defendants; and (3) filing no. 37, the "Stipulation and Proposed Order," approved by Magistrate Judge Thomas D. Thalken, in which all parties have agreed to stay discovery until the court decides the motion to dismiss (filing no. 34).

On April 1, 1994, the plaintiffs, UPC, UPRR, MPRR and the MKT Plan by the MKT Plan Committee, filed their "Class Action Complaint for Declaratory Judgment" (filing no. 1) against the defendants and counterclaim plaintiffs, Bryan L. Beckham, Gary K. Bradshaw, William E. Dixon, Mike L. Eudy, Marshall W. Hales, Billy Joe Harmon, James M. Hentschel, Carl W. Holem, James D. Miller, Cecil Rhodes, Jr., Paul J. Richter and Daniel Witte ("Beckham et al."). Beckham et al. represent a class of more than 200 former employees (the "defendant-class") of the MKT Railroad and subsidiaries (together "MKT"). In August 1988, UPC acquired MKT by merger of MKT into MPRR, a subsidiary of UPC, at which time the defendant class became employed by UPRR.

The defendant-class members are participants in the MKT Plan by virtue of their former employment with MKT and became participants in the UP Plan after the merger of MKT into MPRR. However, the defendant-class members were notified that they would receive no "Credited Service" under

the UP Plan for the period of their prior service with MKT and their participation in the MKT Plan. Moreover, after the merger in August 1988, although they would remain participants in the MKT Plan, the defendant-class members would not accrue further "Credited Service" under the MKT Plan, because their service for UPRR would not count as "Credited Service" under the MKT Plan.

In their "First Amended Answer and Counterclaim" (filing no. 17), the defendant-class protests that the policy of denying the defendant-class members "Credited Service" under the UP Plan for their prior service with MKT, or "Credited Service" under the MKT Plan for their subsequent service with UPRR, will result in a substantial loss of retirement benefits. In their brief opposing the motion to dismiss, Beckham and the other defendants-counterclaimants explain that a long period of "Credited Service" with either plan yields much more in pension benefits than the benefits which accrue when a participant's service is divided between the two plans. Beckham and the other defendants-counterclaimants estimate that the aggregate monetary effect of the methods used to credit service under the two plans will exceed $10 million lost to the defendant-class.

The "Class Action Complaint for Declaratory Relief" (filing no. 1) seeks a declaration that the methods used to credit service for the defendant-class members under the MKT Plan and the UP Plan are not prohibited by the Employee Retirement Income Security Act of 1974 ("ERISA"). The "First Amended Answer and Counterclaim" (filing no. 17), on the other hand, seeks a declaration that the service calculations at issue and certain related actions do violate ERISA.

In their "Motion to Dismiss or to Stay Defendants' Amended Counterclaim" (filing no. 34), the plaintiffs and counterclaim defendants contend that Counts I, II, V and VI of the Amended Counterclaim should be dismissed without prejudice, or stayed, for failure to exhaust plan remedies. The motion to dismiss also requests that Counts III and IV of the Amended Counterclaim be dismissed with prejudice for failure to state a claim upon which relief may be granted.

The court first finds and concludes that filing no. 36, the "Motion for Leave to File A Reply in Support of Motion to Dismiss or to Stay Defendants' Amended Counterclaim" filed by the plaintiffs and counterclaim defendants shall be, and hereby is granted. Therefore, the brief entitled "Reply in Support of Motion to Dismiss or to Stay Defendants' Amended Counterclaim," received by the court on April 28, 1995, is deemed submitted instanter.

Second, the court finds and concludes that Counts III and IV of the Amended Counterclaim (filing no. 17) should not be dismissed. A claim should be "liberally construed in the light most favorable to the [claimant]" and should not be dismissed "unless it appears beyond a doubt that the [claimant] can prove no set of facts which would entitle the [claimant] to relief." Coleman v. Watt, 40 F.3d 255, 258 (8th Cir. 1994) (citations omitted).

Regarding the issue of exhaustion, the court disagrees with the assertion by the plaintiffs and counterclaim defendants that Counts I, II, V and VI of the Amended Counterclaim should be dismissed or stayed for failure to exhaust remedies under the plan. Therefore, filing no. 34, the "Motion to Dismiss or to Stay Defendants' Amended Counterclaim" shall be, and hereby is, denied.

Counts I and II of the Amended Counterclaim (filing no. 17) seek relief on behalf of the defendant-class for wrongfully denied "Credited Service" under the MKT Plan and for breach of fiduciary duties. Count V alleges wrongful deprivation of "Credited Service" under the UP Plan. Count VI contends that the deprivation of proper "Credited Service" under the UP Plan led to the exclusion of the defendant-class from an early retirement offer ("VERIP") extended by UPRR in 1992 to employees with sufficient "Credited Service."

In Conley v. Pitney Bowes, 34 F.3d 714, 716 (8th Cir. 1994), the Eighth Circuit clearly stated that:

> ERISA does not explicitly require exhaustion of administrative or plan remedies. The doctrine is, in this context, a creature either of contract or judicial invention. **We have required exhaustion in ERISA cases only when it was required by the particular plan involved . . . We have declined to apply a broader, judicially-crafted exhaustion requirement in ERISA actions.**

(Emphasis added.) As Beckham and the other defendants-counterclaimants assert, and plaintiffs do not deny, no provision of either the MKT Plan or the UP Plan contains a requirement for exhaustion of remedies under the plan. Furthermore, the efforts of plaintiffs and counterclaim defendants to distinguish Conley v. Pitney Bowes from this case are not persuasive.

In addition, Beckham and the other defendants-counterclaimants did not commence this action, thereby bypassing available plan remedies. Instead, they were sued by

the plaintiffs who sought a declaratory judgment that the methods of crediting service under the MKT Plan do not violate ERISA. Beckham and the other defendants-counterclaimants subsequently asserted a compulsory counterclaim pursuant to Fed. R. Civ. P. 13(a), alleging that the methods of crediting service under the MKT Plan and the UP Plan deprive the defendant-class of rights protected by ERISA. There is no indication that the position taken by the plaintiffs since 1988 and in their complaint would be subject to change if the defendants and counterclaim plaintiffs initiated or participated in an optional administrative review process.

Thus, it appears from the record and the parties' arguments that the exhaustion of remedies proposed by the plaintiffs and counterclaim defendants not only is not required by the plans, but would constitute a time-consuming, costly and futile endeavor. The court declines to impose an optional administrative process which is resisted by the defendant-class and which would add unnecessary delay and expense to this litigation.

Finally, the court has been notified that the Pension Committee of the MKT Plan and the UP Plan Administrator have initiated an internal review process of their own, apparently to evaluate the merits of the claims asserted in Counts I, II, V and VI of the Amended Counterclaim. If the internal review conducted by those parties results in a reversal of position regarding any contested matter, the issues thereby resolved can be removed from this action.

Meanwhile, the parties shall comply with the disclosure and discovery procedures required by the Federal Rules of Civil Procedure. Therefore, filing no. 37, the "Stipulation and Proposed Order" in which all parties have agreed to stay

discovery until the court decides the motion to dismiss has been rendered moot by this "Memorandum and Order" denying the motion to dismiss. Magistrate Judge Thomas D. Thalken will enter an "Order Setting Schedule for Progression of Case" as appropriate.

THEREFORE, IT IS ORDERED:

(1) That filing no. 34, the "Motion to Dismiss or to Stay Defendants' Amended Counterclaim" filed by the plaintiffs and the counterclaim defendants, UPC, UPRR, MPRR, the MKT Plan by the MKT Plan Committee, the UP Plan Administrator, is denied;

(2) That filing no. 36, the Motion for Leave to File a Reply in Support of Motion to Dismiss or to Stay Defendants, Amended Counterclaim" filed by the plaintiffs and counterclaim defendants is granted, and the brief entitled "Reply in Support of Motion to Dismiss or to Stay Defendants' Amended Counterclaim," received by the court on April 28, 1995, is deemed submitted instanter; and

(3) That filing no. 37, the Stipulation and Proposed Order by the parties has been rendered moot by this Memorandum and Order so that Magistrate Judge Thomas D. Thalken will enter an "Order Setting Schedule for Progression of Case" as appropriate.

DATED this 2nd day of June, 1995.

BY THE COURT:

/S/

THOMAS M. SHANAHAN
United States District Judge

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEBRASKA

UNION PACIFIC CORPORATION, et al.,	)	
Plaintiffs,	)	
vs.	)	
BRYAN L. BECKHAM, et al.,	)	
Individually and on Behalf of All Class Members,	)	8:CV94-189
Defendants and Counterclaim Plaintiffs,	)	MEMORANDUM AND ORDER
vs.	)	
PENSION PLAN FOR SALARIED EMPLOYEES OF UNION PACIFIC CORPORATION, et al.,	)	
Counterclaim Defendants	)	

Before the court are: (1) filing no. 45, the "Plaintiffs And Counterclaim Defendants' Motion For Summary Judgment Based on the Statute of Limitations And Lack of Standing" filed by the plaintiffs and counterclaim defendants, Union Pacific Corporation and others; and (2) filing no. 65, the

"Motion Of Plaintiffs And Counterclaim Defendants For Leave To File A Reply In Further Support Of Their Motions For Summary Judgment" also filed by the plaintiffs and counterclaim defendants, Union Pacific Corporation and others.

After due consideration, and for good cause shown, the court finds and concludes that filing no. 65, the "Motion Of Plaintiffs And Counterclaim Defendants for Leave To File A Reply In Further Support Of Their Motions For Summary Judgment" filed by the plaintiffs and counterclaim defendants, Union Pacific Corporation and others, shall be granted. Accordingly, the court has considered the reply brief submitted by Union Pacific Corporation and others in reviewing the pending motion for summary judgment.

Additionally, after reviewing the pending motion, the court believes that oral argument is unnecessary in this matter. Accordingly, the counterclaim defendants', Union Pacific Corporation and others, motion for oral argument (filing no. 45, part 2) is denied.

BACKGROUND

On April 1, 1994, the plaintiffs, Union Pacific Corporation ("UPC"), Union Pacific Railroad Company ("UPRR"), Missouri Pacific Railroad Company ("MPRR") and the Missouri-Kansas-Texas System Pension Plan for Non-Agreement Employees ("MKT Plan") by Ursula Fairbairn, Barbara Schaefer and James Young ("MKT Plan Committee") filed their "Class Action Complaint for Declaratory Judgment" (filing no. 1) against the defendants and counterclaim plaintiffs, Bryan L. Beckham, Gary K. Bradshaw, William E. Dixon, Mike L. Eudy, Marshall W. Hales, Billy Joe Harmon, James M. Hentschel, Carl W. Holem, James D. Miller, Cecil Rhodes, Jr.,

Paul J. Richter and Daniel Witte. See filing nos. 32 and 35 (certifying class of more than 200 former employees of the MKT railroad as to Counts I, II, III, IV, V, and VI of the counterclaim). For purposes of this "Memorandum and Order" the court will refer to the class of defendants and counterclaim plaintiffs as "Beckham."

Beckham counterclaimed pursuant to 29 U.S.C. §§ 1132 (a)(l)(B) and 1132(a)(3), naming UPC, the MKT Plan, the MKT Plan Committee, the UP Plan and the UP Plan Administrator as counterclaim defendants. See filing no. 17, ¶¶ 1, 2. For purposes of this "Memorandum and Order" the court will refer to the counterclaim defendants collectively as Union Pacific Corporation ("UPC"). The gravamen of the counterclaim lies in Beckham's assertion that UPC's denial of "Credited Service" under the UP Plan for Beckham's prior service with MKT, and the further denial of "Credited Service" under the MKT Plan for Beckham's subsequent service with UPC, results in a substantial loss of retirement benefits to the class members and violates ERISA.

Specifically, Beckham raises seven claims in the "First Amended Answer And Counterclaim" (filing no. 17). Count I asserts that the MKT Plan and the MKT Plan Committee improperly refused to give Beckham "Credited Service" under the MKT Plan since Beckham became an employee of UPC on August 12, 1988. Count II asserts that the MKT Plan Committee and UPC breached their fiduciary duties by failing to give Beckham "Credited Service" under the MKT Plan since August 12, 1988. Count III asserts that the MKT Plan Committee violated 29 U.S.C. § 1054(h)(1) by failing to give Beckham "Credited Service" under the MKT Plan, thereby improperly freezing the rate of future benefit accruals under the MKT Plan. Count IV asserts that the MKT Plan, the MKT

Plan Committee and UPC violated 29 U.S.C. § 1054(g)(1) and (2) by eliminating or reducing a retirement-type subsidy, namely, Beckham's "Credited Service," through their refusal to allow Beckham to use "Credited Service" accrued with UPC after August 12, 1988 to satisfy the MKT Plan's early retirement benefit requirements. Count V asserts that the UP Plan and UP Plan Administrator improperly denied Beckham benefits by failing to give Beckham "Credited Service" under the UP Plan for all of Beckham's "Credited Service" under the MKT Plan after UPC acquired MKT on August 12, 1988. Additionally, Count V asserts that the UP Plan Administrator breached its fiduciary duty by failing to give this "Credited Service." Count VI requests that UPC be ordered to provide a voluntary early retirement incentive program ("VERIP") to Beckham due to UPC's failure to provide Beckham with "Credited Service" under the UP Plan based on prior "Credited Service" under the MKT Plan. Count VII, which was not certified as a class claim, involves UPC's alleged failure to comply with various ERISA disclosure requirements and is not a part of UPC's summary judgment motion.

Beckham and his class are participants in the MKT Plan by virtue of their former employment with MKT, and they became participants in the UP Plan after the merger of MKT into MPRR on August 12, 1988. Before the merger on August 12, 1988, a UPC representative prepared fact sheets for distribution to MKT employees affected by the merger. See filing no. 46, Bannister Aff't ¶¶ 2,3,6. Additionally, a UPC representative attended three open meetings where MKT employees were permitted to ask questions about the affect of the merger on their benefits. Id. In the "fact sheets" and during the meetings, UPC notified MKT employees that they would receive no "Credited Service" under the UP Plan for the period of their prior service with MKT and their participation in the

MKT Plan. Id. UPC also notified the MKT employees that after the merger they would not accrue further "Credited Service" under the MKT Plan, because their service for UPC would not count as "Credited Service" under the MKT Plan. Id. Members of the defendant class admit receiving such notice from UP prior to the August 12, 1988 merger. (Filing no. 60, Witte aff't ¶ 3).

ANALYSIS

Pursuant to Fed. R. Civ. P. 56(c), the court may grant summary judgment if there is no issue regarding any material fact in an action and the moving party is entitled to judgment as a matter of law. In considering a motion for summary judgment, the court views the facts in the light most favorable to the nonmoving party and gives the nonmoving party the benefit of all reasonable inferences that may be drawn from the evidence. Moore v. Webster, 932 F.2d 1229, 1230-31 (8th Cir. 1991).

In filing no. 45, UPC contends that Counts I to VI, inclusive, in Beckham's "First Amended Answer And Counterclaim" (filing no. 17) are time-barred by Neb. Rev. Stat. § 25-505 (five year limitations period for actions on contracts). UPC also contends that Beckham has neither a cause of action nor standing to sue for breach of fiduciary duty as alleged in Counts II and V.

A. Breach of Fiduciary Duty

In Counts II and V of the "First Amended Answer And Counterclaim" (filing no. 17), Beckham asserts that the MKT Plan Committee, UPC, the UP Plan and the UP Plan administrator breached their fiduciary duty by failing to

distribute benefits in accordance with the plan pursuant to 29 U.S.C. § 1132(a)(3). See Varity Corp. v Howe, 116 S. Ct. 1065, 1076 (1996). However, the Eighth Circuit Court of Appeals recently held that a plaintiff seeking individual relief under 29 U.S.C. § 1132(a)(3) on a breach of fiduciary duty theory does not have a cause of action when the alleged breach of fiduciary duty is a failure to distribute benefits in accordance with the plan. Wald v. Southwestern Bell Corp., 83 F.3d 1002, 1006 (8th Cir. 1996). Following the reasoning in Varity Corp., the court determined that the right to bring suit under § 1132(a)(1)(B) for a denial of benefits provides adequate relief and that additional equitable relief for breach of fiduciary duty in failing to distribute benefits in accordance with the plan would not be appropriate. Id. In effect, the court eliminated an individual's remedy under § 1132(a)(3) for a breach of fiduciary duty, when the breach is a failure to distribute benefits in accordance with the plan, so long as the individual has a cause of action for denial of benefits under § 1132(a)(1)(B). Id.

In this case, Beckham has a cause of action pursuant to 29 U.S.C. § 1132(a)(1)(B), and, therefore, has an adequate remedy for any loss of benefits caused by UPC's actions. Accordingly, Beckham does not have a cause of action pursuant to 29 U.S.C. § 1132(a)(3) for breach of fiduciary duty based on UPC's alleged failure to distribute benefits in accordance with the plans. Id. This is true even if Beckham's cause of action under § 1332(a)(1)(B) is time-barred, because it is the "right to bring a claim for benefits," not the act of bringing suit before the statute of limitations runs, that provides adequate relief. Id.

Consequently, the court finds and concludes that UP's "Motion For Summary Judgment" (filing no. 45) will be granted to the extent that Counts II and V of the "First Amended Answer And Counterclaim" (filing no. 17), that is,

those claims based on the counterclaim defendants' alleged breaches of their fiduciary duties, will be dismissed for failure to state a claim pursuant to Wald.

B. Statute of Limitations

In its "Motion For Summary Judgment" (filing no. 45), UPC also asserts that Counts I to VI, inclusive, in Beckham's "First Amended Answer And Counterclaim" (filing no. 17) are barred by the applicable statute of limitations. ERISA does not specifically contain a statute of limitations for Beckham's claims concerning UPC's allegedly improper denial of benefits or for the alleged violation of 29 U.S.C. § 1054 stated in Counts III and IV of the "First Amended Answer and Counterclaim" (filing no. 17). However, when ERISA does not specify a statute of limitations, courts apply an analogous statute of limitations under appropriate state law. See Adamson v. Armco Inc., 44 F.3d 650, 652 (8th Cir.), cert. denied, 116 S. Ct. 85 (1995); Schroeder v. Phillips Chem. Co., 970 F.2d 419, 420 (8th Cir. 1992) ("Schroeder II); cf. Eqerdahl v. Hibbing Community College, 72 F.3d 615 (8th Cir. 1995). In this instance, the analogous state statute of limitations is Nebraska's five-year statute of limitations for actions on written contracts (Neb. Rev. Stat. 25-205 (1995)). See Schroeder II, 970 F.2d at 420; see, also, Adamson, 44 F.3d at 652; Johnson v. State Mutual Life Assurance Co. of America, 942 F.2d 1260, 1263 (8th Cir. 1991). Additionally, Nebraska's five-year statute of limitations for actions on written contracts, Neb. Rev. Stat. 25-505, also applies to Counts III and IV of Beckham's "First Amended Answer And Counterclaim" (filing no. 17) and the alleged violations of 29 U.S.C. § 1054(g) and (h) because the contracts limitations statute is most closely analogous to Beckham's claims under 29 U.S.C. § 1054(g) and (h). Cf. Adamson, 44 F.3d at 652.

While the applicable statute of limitations is not disputed by the parties, the dates for the accrual of Beckham's claims are disputed. In the absence of a contrary directive from Congress, courts apply a discovery rule in cases involving a federal question to determine when a cause of action accrued. Cada v. Baxter Healthcare Corp., 920 F.2d 446, 450 (7th Cir. 1990), cert. denied, 111 S. Ct. 2916 (1991); see, also, Conners v. Hallmark & Sons Coal Co., 935 F.2d 336, 341 (D.C. Cir. 1991)(citations from eight circuits omitted); Alcorn v. Burlington Northern R.R. Co., 878 F.2d 1105, 1108 (8th Cir. 1989) (cause of action accrues "when a claimant knows, or should know through an exercise of reasonable diligence, of the acts constituting the alleged violation").

The general rule in an ERISA action is that a cause accrues when a "claim for benefits has been made and formally denied." Cotter v Eastern Conf. of Teamsters Retirement Plan, 898 F.2d 424, 428 (4th Cir. 1990) (citing Rodriguez v. MEBA Pension Trust, 872 F.2d 69, 72 (4th Cir. 1989)). However, in a situation such as the one presented by this case where exhaustion of administrative remedies is excused and, therefore, there was no formal denial of Beckham's claims before this litigation, determining the accrual date of the claim is much more difficult. See Cotter, 898 F.2d at 429; Schroeder v. Phillips Chemical Co., 4:CV90-00025, "Memorandum And Order On Defendant's Motion To Dismiss" (D. Neb. Dec. 10, 1991) (Schroeder I), rev'd on other grounds, Schroeder II, 970 F.2d 419 (8th Cir. 1992).

The facts in Schroeder I are very similar to those in the present action. The plaintiffs in Schroeder were former employees of Phillips Chemical Company. Id. On December 31, 1985 all employees of Phillips Chemical Company were transferred to American Fertilizer and Chemical Company. Id.

Subsequently, on February 28, 1986, Phillips sold its stock in American Fertilizer to Cepex, Incorporated. Id. Consequently, as of February 28, 1986 the plaintiffs were employed by Cepex, Incorporated, not Phillips. Id. The plaintiffs contended in their complaint that they were improperly denied severance benefits as a result of this transaction. Id.

American Fertilizer's plant manager informed the plaintiffs in early 1986 that they would not be entitled to severance benefits under Phillips' ERISA plan as a result of Cepex's purchase of American Fertilizer. Id. From the date of the sale to Cepex, Phillips maintained that the sale did not constitute a termination of the employees of American Fertilizer so as to require the payment of severance benefits. Id. Consequently, the district court excused the plaintiffs from exhausting their administrative remedies because it was clear that presenting their claims to Phillips would be futile. Id.

However, the district court then held that the plaintiffs action was barred by the statute of limitations because the plaintiffs' cause of action had accrued no later than the date of the sale of American Fertilizer to Cepex. Id. The court decided that the defendants "were aware no later than February 28, 1986, that they would not receive the benefits they now seek." Id. Consequently, the court ruled that "the very facts that justify excuse [namely, that the defendant had steadfastly refused to pay severance benefits from 1986] also triggered the running of the statute of limitations period such that the action is time-barred." Id. Although the Eighth Circuit Court of Appeals overruled the district court's choice of limitations period, the Circuit explicitly ruled that the district court was correct in determining that the "plaintiffs' cause of action accrued no later than February 28, 1986." Schroeder II, 970 F.2d at 420.

Similarly, this court excused Beckham from exhausting administrative remedies because, among other reasons, the exhaustion of remedies "would constitute a time-consuming, costly and futile endeavor." See filing no. 38 at pg. 5. The court reached this conclusion based in part on Beckham's argument that exhaustion would be futile because UPC "[s]ince 1986 . . . repeatedly advised [Beckham] that they would not receive credit under the MKT Plan for their service with the Union Pacific Railroad . . . [nor would Beckham receive] any benefit credit under the UP Plan for their MKT service." See Defendants and Counterclaim Plaintiffs' "Memorandum of Law In Opposition To Motion To Dismiss Or To Stay Defendants' Amended Counterclaim" at pgs. 15-16.

Nonetheless, just as in Schroeder I, the same facts which excused Beckham from exhausting plan remedies, namely, UPC had steadfastly refused since at least August 12, 1988 to provide benefits to Beckham, also subject several of Beckham's claims to dismissal for failure to comply with Nebraska's five-year statute of limitations on written contracts. It is clear from the "First Amended Answer and Counterclaim" (filing no. 17) that the claims alleged in Counts I, III, IV, and V are barred by Nebraska's five year statute of limitations because the claims asserted in those counts arose no later than August 12, 1988.

Specifically, Beckham's claims concerning the denial of "Credited Service," which are found in Counts I and V, clearly arose more than five years before the initiation of this lawsuit. As Beckham admits, there is no question that UPC has steadfastly refused to provide "Credited Service" from at least August 12, 1988. Filing no. 60, Witte aff't ¶ 3. Additionally, Count III, which alleges that the MKT Plan Committee improperly amended the MKT Plan by freezing future benefit

accruals under the plan, also arose no later than August 12, 1988 when the alleged amendment was implemented. Furthermore, Count IV, which alleges that the MKT Plan, the MKT Plan Committee, and UPC violated ERISA by cutting back future benefit accruals arose on the date the alleged "cut back" occurred, namely, August 12, 1988. Consequently, the court finds and concludes that Counts I, III, IV, and V of the "First Amended Answer and Counterclaim" (filing no. 17) will be dismissed as barred by the statute of limitations.

However, Count VI of the "First Amended Answer and Counterclaim" (filing no. 17) requests a declaratory judgment ordering UPC to offer Beckham a voluntary early retirement incentive program ("VERIP"). On its face, it appears that Count VI accrued in September, 1992 when UPC actually implemented a VERIP for which Beckham was not eligible, allegedly due to UPC's failure to provide "Credited Service" under the UP Plan for Beckham's "Credited Service" under the MKT Plan. See filing no. 17, ¶¶ 6972. Thus, on the record currently before the court, the court is unable to state that, as a matter of law, Count VI accrued more than five years before Beckham filed his counterclaim. Consequently, the court will deny UPC's "Motion For Summary Judgment" (filing no. 45) to the extent that the court will not dismiss Count VI as barred by the applicable statute of limitations.

Finally, because Beckham cannot assert a breach of fiduciary duty claim in this circumstance, as discussed above, this court will not consider the accrual of the statute of limitations expressed in ERISA which is applicable solely to breach of fiduciary duty claims. See 29 U.S.C. § 1113.

THEREFORE IT IS ORDERED:

(1) That filing no. 45, the "Plaintiffs And Counterclaim Defendants' Motion For Summary Judgment Based on the Statute of Limitations And Lack of Standing" filed by the plaintiffs and counterclaim defendants, Union Pacific Corporation and others is granted in part and denied in part;

(2) That filing no. 45, the "Plaintiffs And Counterclaim Defendants' Motion For Summary Judgment Based on the Statute of Limitations And Lack of Standing" filed by the plaintiffs and counterclaim defendants, Union Pacific Corporation and others is granted to the extent that Counts I, III, IV, and V of the "First Amended Answer and Counterclaim" (filing no. 17) filed by the defendants and counterclaim plaintiffs, Bryan Beckham and others, are dismissed as time-barred;

(3) That filing no. 45, the "Plaintiffs And Counterclaim Defendants' Motion For Summary Judgment Based on the Statute of Limitations And Lack of Standing" filed by the plaintiffs and counterclaim defendants, Union Pacific Corporation and others is granted to the extent that Counts II and V of the "First Amended Answer and Counterclaim" (filing no. 17) filed by the defendants and counterclaim plaintiffs, Bryan Beckham and others are dismissed for failure to state a claim;

(4) That filing no. 45, the "Plaintiffs And Counterclaim Defendants' Motion For Summary Judgment Based on the Statute of Limitations And Lack of Standing" filed by the plaintiffs and counterclaim defendants, Union Pacific Corporation and others is denied to the extent that the court will not dismiss Count VI of the "First Amended Answer and Counterclaim" (filing no. 17) filed by the defendants and counterclaim plaintiffs, Bryan Beckham and others;

(5) That the motion for oral argument (filing no. 45, part 2) filed by the plaintiffs and counterclaim defendants, Union Pacific Corporation and others, is denied;

(6) That filing no. 65, the "Motion Of Plaintiffs And Counterclaim Defendants For Leave To File A Reply In Further Support Of Their Motions For Summary Judgment" filed by the plaintiffs and counterclaim defendants, Union Pacific Corporation and others, is granted; and

(7) That pursuant to Fed. R. Civ. P. 54(b), this order is not a final and appealable order until there is an adjudication of all the claims, rights and liabilities of the parties to this action.

DATED this 26th day of September, 1996.

BY THE COURT:

/s/
THOMAS M. SHANAHAN
United States District Judge

FACT SHEET C (EMPLOYEE BENEFITS)
THE UNION PACIFIC RAILROAD (UPRR)
MISSOURI KANSAS TEXAS RAILROAD CO. (MKT)
MERGER
EMPLOYEE BENEFIT QUESTIONS & ANSWERS

QUESTION: 1. What will be the status of all Employee Benefit Programs effective the date of merger with Union Pacific Railroad?

ANSWER: Effective the date of the merger, all current MKT non-agreement Employee Benefit Programs will be replaced, and active non-agreement employees will be covered by the UPRR Employee Benefit Programs. Current retirees and all individuals retiring under the "MKT Pre-consolidation Voluntary Severance Program" will continue to receive their benefit coverage under the pre-consolidation MKT employee benefit programs.

QUESTION: 2. What is the status of retirees with regard to their medical, dental and life insurance coverage?

ANSWER: Retirees who were covered under the existing MKT medical, dental or life insurance plans will continue to be covered under those plans.

QUESTION: 3. If an MKT employee accepts "MKT Pre-consolidation Voluntary Severance Program" pension benefits at age 60, is the Group Insurance Plan continued for

non-agreement employees and their dependents with no cost to the employee?

ANSWER: Under current MKT policy, if you would elect to retire at age 60, you would be required to pay for your group dental, health and life insurance coverage until you reach age 61. Between the ages of 61 and 65, the MKT pays for your health and dental coverage, and you have the option of paying for life insurance coverage up to a maximum of your current salary. If you elect not to pay for life insurance, the MKT pays for $2,000 life insurance in your behalf for your lifetime.

As an enhancement to the "MKT Pre-consolidation Voluntary Severance Program," your group insurance coverage will be paid by Union Pacific for the period age 60 to age 61.

QUESTION: 4. Will Katy non-agreement employees who accept employment with Union Pacific be fully eligible to participate in the non-agreement Comprehensive Health Insurance Plan on the first day of employment? Are there any plan provisions to exclude pre-existing medical conditions.?

ANSWER: Yes, coverage is available the first day of employment. There is no clause in the UPRR Comprehensive Health contract to exclude pre-existing medical conditions.

QUESTION: 5. How will my MKT service time be applied in determining my eligibility for Union Pacific Railroad Employee Benefits?

ANSWER: Eligibility for Union Pacific Railroad's employee benefits programs will be based on the MKT service time plus foreign line railroad or other service time creditable under the MKT Pension Plan of each non-agreement MKT employee accepting employment with Union Pacific Railroad. Benefits include medical, dental and life insurance, short and long term disability, relocation, educations assistance, vacation and scholarship programs.

QUESTION: 6. How will individuals currently participating in COBRA continuation coverage be affected by the merger?

ANSWER: Under current COBRA regulations coverage of qualified individuals would be transferred to the Union Pacific Railroad. Premiums for this coverage would be at the same level as charged to other COBRA-protected participants for the Union Pacific Health Care Plan.

QUESTION: 7. What type of Company pension, life, health and dental insurance will be allowed for non-agreement employees who wish to accept the MKT Pre-consolidation Voluntary Severance Program and who have more than 30 years MKT total service, but are only 59 years of age:

ANSWER: MKT non-agreement employees, aged 58 and older, with 30 years creditable service, will be covered as outline above in the answer to Question No. 3.

QUESTION: 8. Will benefits (insurance, etc.) continue during the severance payment period?

ANSWER: The "MKT Pre-consolidation Voluntary Severance Program" describes the benefits provided.

QUESTION: 9. How will prior service time for the MKT be applied when calculating pension benefits?

ANSWER: Prior MKT service *will only* be used to determine an employee's vested benefit eligibility. Prior service *will not* be used to determine accrual under the UP Plan for pension benefits. For example, any MKT employee with creditable continuous service (the employee's service under the MKT plan may also include a number of years of foreign line or other service which counts as creditable service under the terms of the MKT Pension Plan) will have his/her MKT service combined with subsequent UP creditable service for vesting purposes. Currently the vesting provisions of both the MKT and Union Pacific Plans require ten (10) years of service for 100% vesting. Effective January 1, 1989, the vesting service requirement will be reduced to five years of service.

However, at retirement, the employee's pension first will be calculated on his/her MKT service and earnings (including foreign or other service time, if applicable) under the MKT pension formula, and then for the additional years of service and earnings with UP under the UP pension formula. (See examples below).

Examples:

1. Employee "A" has ten years creditable service with MKT, joins UP and works two years, then retires. Because Employee "A" had ten years of creditable service with MKT and was vested under its pension plan, Employee "A" is eligible for an MKT pension. In addition, since Employee "A" was vested in the MKT pension plan on the date of the merger, the employee becomes vested in UP's plan upon completion of 1000 hours of service with UP, and thus also is entitled to two years of benefit from UP. Employee "A" would receive a pension benefit calculated on ten years of service under the MKT pension program and two years under the UP pension plan.

2. Employee "B" has three years of creditable service with MKT, joins UP, works one year and then decides to retire. Because Employee "B" has only three years with MKT, Employee "B" is not vested in an MKT pension. In addition, because Employee "B" is not vested in the MKT plan at merger and has only one year with UP, the employee does not qualify for a UP pension. Since the combined service does

not equal or exceed ten years of service, there is not pension applicable to Employee "B."

3. Employee "C" has six years creditable service with MKT, joins UP and works four years before deciding to retire. Although Employee "C" is not vested in the MKT pension plan at the time of the merger, Employee "C" is, nevertheless, vested for a pension because the employee has ten years combined service with MKT and UP. Employee "C" will receive a pension benefit calculated on six years of service under the MKT pension plan and four years under the UP pension plan.

QUESTION: 10. In determining qualification for pension rights, what is meant by MKT creditable service? What is meant by UPRR creditable service?

ANSWER: MKT creditable service is outlined in Section 2.3 of the MKT Pension Plan. UPRR defines creditable service as the service used in calculating pension amount. Essentially, it is one full year for each year of service and partial years on a pro-rate basis.

QUESTION: 11. Under the present MKT pension plan, previous foreign line railroad service (other than MKT would be added to MKT service upon becoming vested. Would an employee lose the benefit of adding previous foreign line service if

that employee is not vested at the time of merger?

ANSWER: At date of merger all service (MKT, foreign line or other) will mature. This service will be credited for vesting purposes under the UP Pension Plan; however, for the accrual of pension benefits, it will be considered under the MKT Plan only. *UP service after the merger date will be used for the accrual of pension benefits only under the UP Plan.*

Example:
Employee "D" has six years creditable service with MKT and 10 years foreign line railroad service. Employee "D" joins the Union Pacific Railroad at merger and works four (4) years before deciding to retire. Under current MKT policy the 10 years of foreign line service is not recognized until Employee "D" has 10 years of creditable service with the MKT. However, at merger it has been agreed that all of Employee D's credited service time will mature (MKT and foreign line or other service). Therefore, when Employee "D" joins UPRR at merger, his/her 16 years service will be recognized for pension vesting and eligibility for Employee Benefits.

QUESTION: 12. The MKT does not count foreign line railroad service for vesting. Will foreign line service count under the Union Pacific Pension Plan at merger?

ANSWER: Yes, for the MKT merger only, foreign line railroad service or other credited service will

count for vesting under the Union Pacific Pension Plan. However, all MKT and foreign line or other service time will be calculated under the MKT Pension Plan at retirement.

QUESTION: 13. If an MKT employee accepts the MKT Pre-consolidation Voluntary Severance Program option to terminate and retire under the MKT pension plan, will the retirement compensation be reduced 1/180 for each month prior to age 65?

ANSWER: Yes. This is an acceptance that the severance offer is voluntary and is not considered as a "request by MKT to retire." However, the employee would have the option to defer receiving pension benefits until reaching age 65 so there would be no reduction in benefits.

QUESTION: 14. The current MKT Pension Plan does not allow retirement until age 60. Is there any consideration being given to changing this provision?

ANSWER: No.

QUESTION: 15. If an MKT employee accepts severance and retires, does his/her retirement under the "MKT Pre-consolidation Voluntary Severance Program" become effective immediately, or must he/she wait until the consolidation takes place?

ANSWER: Should you elect to accept the "MKT Pre-consolidation Voluntary Severance Program"

severance, the effective date is the date the consolidation takes place, not the date of approval by the ICC. Your retirement could be effective the date of consolidation, or you could defer your pension benefit.

QUESTION: 16. How many years of MKT service are required in order to be vested in MKT Pension Plan?

ANSWER: Ten years service with at least the 10th year as a plan participant.

QUESTION: 17. What is the vesting requirement under the MKT and Union Pacific Pension Plan?

ANSWER: Currently it is necessary for a participant to have 10 years of pension service under the Union Pacific Pension Plan. See answer to Question #16 for the MKT Plan. As indicated earlier, effective January 1, 1989, the requirement for active participants will be five years.

QUESTION: 18. At the time of the merger, if a non-agreement employee has 20 years service with MKT will he/she be vested in the MKT pension?

ANSWER: Yes, if he/she has 10 years service with at least the 10th year as a plan participant.

QUESTION: 19. If you retire prior to age 62, is Railroad Retirement taken out of your "MKT Pre-consolidation Voluntary Severance Program" severance pay? If so, does that extend your Railroad Retirement for the months money was collected so the penalty you receive in connection with Tier I portion is reduced

ANSWER: Railroad Retirement and all other payroll taxes would be taken out of the "MKT Pre-consolidation Voluntary Severance Program" severance pay, whether received on a lump-sum or monthly basis, but no extension for Railroad Retirement creditable months is granted.

QUESTION: 20. Can an eligible employee elect to draw Railroad Retirement benefits before age 65?

ANSWER: Yes. If an eligible employee has 30 or more years of Railroad Retirement credit, a full benefit is payable as early as age 62. However, the same employee could receive a reduced benefit (20% reduction in Tier 1) at age 60. If an eligible employee has more than 10 years but less than 30 of Railroad Retirement credits, a full benefit is not available until he/she attains age 65. However, this same employee could receive a reduced benefit (80%) as early as age 62.

QUESTION: 21. Will non-agreement MKT employees accepting UP employment be qualified to participate in the UP Thrift Plan?

ANSWER: MKT service plus foreign line service time will also be recognized with regard to determining an employee's *eligibility* to participate in the Union Pacific Thrift Plan. However, in determining an employee's eligibility for 100% vesting of Thrift Plan benefits upon death, retirement or long term disability, an employee will need to have ten or more years service or combined service with the MKT or UPRR. However, so become 100% vested in company contributions for regular withdrawals, an employee must have five (5) years participation in the Thrift Plan as a UP employee.

QUESTION: 22. Will vacation time be based on prior railroad service as was done under MKT plan, or will only MKT service time only be counted?

ANSWER: See answer to question #5.

QUESTION: 23. What is the UP policy regarding a) of employee as it pertains to the employee's house, b) is this policy the same for non-agreement and agreement personnel.

ANSWER: A) The UPRR has a liberal relocation policy which is provided to transfer non-agreement employees that cover

both real estate and movement of household expenses. A copy of this policy will be provided to each transferring employee.

B) This policy is not applicable to agreement personnel. Relocation assistance provided to agreement employees is subject to collective bargaining.

QUESTION: 24. What will be the status of MKT employees covered under the Long-Term Disability Benefits Program at merger?

ANSWER: MKT employees who are receiving long-term disability coverage prior to the merger will continue to receive that coverage after the merger. However, this coverage will terminate when they attain age 70, as prescribed by the current MKT program. Any active employee placed on LTD status on or after merger date will be covered by UPRR LTD Program.

The answers provided in this document are designed to provide the employee with a better understanding of his/her Employee Benefit Programs and may not apply to all MKT Railroad Company subsidiaries. However, in all instances, the official plan texts, trust agreements, and/or master contracts with insurance companies, as appropriate, are the governing documents.

UNION PACIFIC CORPORATION

Memorandum

To John P. Halan Date February 15, 1989

From John R. Parente Copy To

Subject MKT

In response to Carl von Bernuth's note to you, I believe that there are a number of things that still need to be done regarding MKT. As pointed out in Clarence Mason's memo dated February 4, 1988, our pension and thrift plans must be amended to provide that MKT service will count for vesting and eligibility purposes only and that benefit accruals will be prospective from August 12, 1988. Katy employees have been participating in the pension, thrift and welfare plans since August 12, 1988, but I am not sure that the necessary amendments were adopted.

No one seems to know the exact status of the old MKT Pension Plan other than that it has not been merged into the UPC Pension Plan. We must determine who the plan sponsor is, who is filing the 5500's, paying the PBGC premiums, preparing the actuarial work, etc. We have some actuarial reports in our file which indicate that the pension plan is significantly under funded. It is probably going to take a bit of time to sort things like this out and determine whether or not we have any ERISA problems. In the meantime, I recommend that if it hasn't been done already, we should obtain Union Pacific Board approval at the February meeting giving you the authority to do everything that is necessary to amend the Plans.

sa

Attachment

UNION PACIFIC CORPORATION

JOHN P. HALAN
Senior Vice President
Human Resources

February 22, 1989

PERSONAL AND CONFIDENTIAL

E. Virgil Conway, Co-Chairman
John B. Fery, Co-Chairman
Hamilton B. Mitchell, Co-Chairman
Robert P. Bauman
William D. Grant
Judith R. Hope
Lawrence M. Jones
Henry A. Kissinger
Morris F. Miller
Warren M. Shapleigh
Richard D. Simmons

Dear Committee Members:

As a result of the merger of the Missouri-Kansas- Texas Railroad Company (KATY Line) into the Union Pacific Railroad Company on August 12, 1988, it has become necessary to amend the Union Pacific Corporation pension and thrift plans to provide that KATY Line service will count for vesting and eligibility purposes only. Service with Union Pacific Railroad Company will count prospectively for benefit accrual and contribution purposes. It is also necessary at the Corporate level to take administrative actions to amend other Union Pacific Corporation employee benefit plans to include KATY Line employees and/or retirees and to amend or

terminate any employee benefit programs previously sponsored by the KATY Line.

We propose that the Committee recommend that the Board of Directors approve the appropriate plan amendments and authorize John P. Halan, Named Fiduciary - Plan Administration, or his delegated representative, to take any and all actions necessary to cover KATY Line employees and retirees under employee benefit programs sponsored by the Corporation.

Sincerely,

/s/

sa
cc: Drew Lewis

MARTIN TOWER, EIGHTH AND EATON AVENUES, BETHLEHEM, PA 215 861 3376

UPCorp. Board of Directors
February 23, 1989

REPORT OF COMPENSATION, BENEFITS AND NOMINATING COMMITTEE

Hamilton B. Mitchell, Co-Chairman of the Compensation, Benefits and Nominating Committee, reported that the Committee had considered a request that former employees and retirees of recently-acquired Missouri-Kansas-Texas Railroad Company be allowed to participate in the employee benefits programs of Union Pacific Corporation and that their service with M-K-T be counted, for vesting and eligibility purposes only, under the Union Pacific benefits programs, with subsequent service with Union Pacific Railroad Company or its affiliates to be counted for benefit accrual and contribution purposes. Mr. Mitchell advised that John P. Halan, in his capacity as Named Fiduciary-Plan Administration of the Union Pacific Pension, Thrift and other Plans, or as Senior Vice President-Human Resources of the Corporation, had accepted the participation of former M-K-T employees and retirees in the Union Pacific plans, but that such acceptance, credit for prior service with M-K-T and the amendment or termination as necessary of any employee benefit programs previously sponsored by M-K-T must be approved by the Committee and the Board of Directors. Mr. Mitchell stated that the Committee approved such participation, credit for prior service and amendment or termination of M-K-T plans and recommended approval by the Board.

UPCorp. Board of Directors
February 23, 1989

INCLUSION OF AND SERVICE CREDIT FOR FORMER EMPLOYEES OF MISSOURI-KANSAS-TEXAS RAILROAD COMPANY UNDER UNION PACIFIC CORPORATION BENEFITS PLANS

On recommendation of the Compensation, Benefits and Nominating Committee, and on motion duly made and seconded, it was unanimously

RESOLVED that this Board hereby ratifies the action of John P. Halan, Senior Vice President-Human Resources, in approving the inclusion of former employees and retirees of Missouri-Kansas-Texas Railroad Company under the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates, as amended, the Supplemental Pension Plan for Officers and Managers of Union Pacific Corporation and Affiliates, as amended, the Union Pacific Corporation Thrift Plan, as amended, and other benefit plans of Union Pacific Corporation; and

FURTHER RESOLVED that John P. Halan, in his capacity as Named Fiduciary-Plan Administration for those plans for which he serves in such capacity and in his capacity as Senior Vice President-Human Resources in all other instances, or his delegated representatives, be and hereby is authorized to (1) amend the Pension Plan for Salaried employees of Union Pacific Corporation and Affiliates, as amended, the Supplemental Pension Plan for Officers and Managers of Union Pacific Corporation and Affiliates, as amended, and the Union Pacific Corporation Thrift Plan, as amended, to provide that service with Missouri-Kansas-Texas

Railroad Company counts for vesting and eligibility purposes only and to amend other benefit plans to also include Missouri-Kansas-Texas Railroad Company service for eligibility purposes only, with subsequent service with Union Pacific Railroad Company and its affiliates to be counted for benefit accrual and contribution purposes under all Plans, and (2) to amend or terminate as necessary any employee benefit programs previously sponsored by Missouri-Kansas-Texas Railroad Company.

Union Pacific Corporation

John R. Parente
Director
Benefits Planning and Administration

October 11, 1989

Mr. Scott Bannister
Director-Personnel Administration
Union Pacific Railroad Company
1416 Dodge Street
Omaha, NE 68179

Dear Scott:

As I indicated in our telephone conversation, a number of issues regarding the MKT Pension Plan have come up as a result of our preparing the 1988 Form 5500's and at a meeting with people from our Financial Department and TPF&C. We have prepared a list of the questions and topics, and would appreciate your reviewing them, so that we can go over them in a telephone conference call, so that we have a better understanding of how the plan works, how it relates to the Union Pacific Plan, and what actions may be required by the Company under either the merger agreement or by our own design. Thanks for your assistance.

Sincerely,
/s/
John R. Parente

sa
Attachment
cc: H. A. Smith
D. J. Mithen

Martin Tower, Eighth and Eaton Avenues, Bethlehem, PA 18018 · 215 861 3369

KATY Questions

1. Send us a plan document, insurance contract, trust agreement, and IRS determination letter.

2. What was agreed to with regard to Plan sponsorship?

3. Status of vesting under the MKT Plan upon closing. Were benefits frozen?

4. Supply census as of 08/12/88 and accrued benefits list for actives, retirees, and terminated vested employees.

5. Is the rule of having 5 years of credit service at Union Pacific being applied to MKT people who retire(d) after the merger.

6. Who is paying the supplemental pension to the 19 retirees? Were they included in the annuity purchase? List names, amounts, form of benefit, spouse's name, and date of birth. Copy of plan document.

7. Were any KATY employees covered by the 5x5 Plan? If so, supply details.

8. Given the plan funding status at the time of acquisition, was there any agreement or understanding regarding future funding and/or merger of the MKT Plan with the Union Pacific Plan?

9. What does the monthly payment represent? How and by whom is it determined?

10. Dan Bratsveen has been paying $36,889 each month to the insurance company. Is this coming out of general assets and who gets charged for it? What does this cover and is it still accurate?

KATY Questions Response

The following responses apply respectively to each of the questions specified on the attached document:

1. Those documents in our possession are enclosed.

2. The answer to this question is unknown. The Law Department administered the merger negotiation.

3. Yes, benefits were frozen August 11, 1988.

4. Items requested are attached.

5. Yes, for the 5+5 only. It is not required in calculating regular pension amount, i.e., regular pension benefit is calculated for Union Pacific service after 1,000 hours if MKT/UP nonagreement service exceeds five (5) years.

6. The supplemental pension for the original 19 retirees is being paid by UPRR (see attached). They were not included in the annuity purchase as far as we know. Names and amounts are shown on the attached list; however, we do not show data on spouses since there is no surviving spouse benefit. This supplemental pension is a straight life benefit without a spousal benefit.

7. No KATY employees were covered by the 5+5 benefit because they did not have five (5) years of Union Pacific Railroad service.

8. The answer to the first half of this question is unknown - see Law Department. It is our understanding there would never be a merger of the two plans.

9. The $36,889 monthly payment is needed to keep pension payments from eroding Plan assets. This was determined by the Wyatt Company.

10. The charge for the $36,889 monthly payment is applied against MOPAC Operating Expense.

In view of the questions asked in the attached document, we have the following questions which we would like answered:

1. Should we continue to charge Operating Expense or charge the funded Pension Reserve?

2. Is the Wyatt Company still the actuary? If so, why aren't we getting updated material?

11/17a7

KATY Questions

1. Send us a plan document, insurance contract, trust agreement, and IRS determination letter.

2. What was agreed to with regard to plan sponsorship?

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UNION PACIFIC RAILROAD COMPANY
CONSENT OF EXECUTIVE COMMITTEE

The undersigned, being all the members of the Executive Committee (the "Committee") of the Board of Directors of Union Pacific Railroad Company, a Utah corporation (the "Company"), acting without a meeting pursuant to Section 821 and 825 of the Utah Revised Business Corporation Act, do hereby adopt the following preamble and resolutions:

WHEREAS, on January 1, 1997 the Missouri Pacific Railroad Company ("MPRR") was merged into the Company; and

WHEREAS, the Missouri-Kansas-Texas Railroad Company ("MKT") was previously merged into MPRR; and

WHEREAS, MKT was the original plan sponsor of the Missouri-Kansas-Texas System Pension Plan for Non-Agreement Employees ("MKT Plan"); and

WHEREAS, the merger of MPRR into the Company makes the Company the sponsor of the MKT Plan; and

WHEREAS, the Company has determined that it is in the best interests of the Company to amend the MKT Plan

NOW, THEREFORE, BE IT RESOLVED that the MKT Plan is amended to provide as follows:

> Notwithstanding anything to the contrary otherwise provided in the Plan, the Normal Retirement Pension, Early Retirement Pension

and/or Deferred Vested Pension of any person employed by the Union Pacific Railroad Company or any other Employer on the date this Consent is fully executed shall not be increased by Hours of Service or Compensation on or after September 1, 1997. Further, no person who becomes employed by the Union Pacific Railroad Company or any other Employer after the date this Consent is fully executed shall accrue any Normal Retirement Pension, Early Retirement Pension and/or Deferred Vested Pension. No inference is to be drawn from the foregoing about the extent, if any, to which a Normal Retirement Pension, Early Retirement Pension and/or Deferred Vested Pension was earned for Hours of Service or Compensation received by any person employed by Union Pacific Railroad Company or any other Employer prior to September 1, 1997 or for a person who becomes employed after the date this Consent is fully executed, the date his/her employment begins.

FURTHER RESOLVED, that the officers of the Company be, and they hereby are, authorized and directed to take or cause to be taken all such further actions, to execute and deliver or cause to be executed and delivered all such instruments and documents in the name and on behalf of the Company, and to incur all such fees and expenses, as in their judgment shall be necessary or advisable in order to carry out fully the intent and purposes of the foregoing resolutions and each of them; and

FURTHER RESOLVED, that all actions heretofore taken by any officer of the Company in connection with the foregoing resolutions be, and they hereby are, approved, ratified and confirmed in all respects; and

FURTHER RESOLVED, that this Consent may be executed in separate counterparts, each of which when so executed and delivered shall constitute an original and all of which shall together constitute a single instrument.

IN WITNESS WHEREOF, each of the undersigned has executed this Consent on July 23, 1997.

/s/	/s/
Richard K. Davidson	L. White Matthews, III

Supreme Court, U.S.
FILED
JUN 29 1998
CLERK

No. 97-1919

In The

Supreme Court of the United States

October Term, 1997

BRYAN L. BECKHAM, *et al.*,

Petitioners,

v.

UNION PACIFIC RAILROAD CO., *et al.*,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Eighth Circuit

BRIEF FOR THE RESPONDENTS IN OPPOSITION

MICHAEL S. HORNE*
JAY T. SMITH
MICHAEL A. CARRIER
COVINGTON & BURLING
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Washington, D.C. 20044
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**Counsel of Record*

33 pp

QUESTION PRESENTED

Whether the statute of limitations on a claim for benefits under ERISA § 502(a)(1)(B) is triggered when a plan participant is notified, clearly and unequivocally, that he or she will not receive certain benefits *and* the plan participant affirmatively relies upon such notice in successfully arguing to the court that any appeal to plan fiduciaries would be futile, or whether, under these circumstances, the limitations period does not begin until the participant makes a formal application for benefits which is denied by the fiduciaries.

LIST OF PARTIES

Petitioners: Respondents do not object to the list of Petitioners in the petition.

Respondents: Respondents do not object to the list of Respondents that appears in the petition, except to note that (1) the Missouri Pacific Railroad Company was merged into the Union Pacific Railroad Company on January 1, 1997; (2) Edwin A. Willis has replaced Ursula F. Fairbairn on the Pension Committee of the Missouri-Kansas-Texas System Pension Plan for Non-Agreement Employees (the "MKT Plan"); and (3) Petitioners have failed to name as Respondents two additional parties in whose favor the Court of Appeals for the Eighth Circuit ruled below, namely the Pension Plan for Salaried Employees of Union Pacific Corporation (the "UP Plan") and the Named Fiduciary-Plan Administration of the UP Plan (the "UP Plan Administrator"). We assume these omissions are a mere oversight since Petitioners have served no notice of an intention to omit these parties. Both the UP Plan and the UP Plan Administrator join in opposing the petition.

CORPORATE DISCLOSURE STATEMENT PURSUANT TO RULE 29.6

Union Pacific Corporation ("UPC") is a publicly-held corporation, with no parent company. There are no nonwholly-owned subsidiaries of UPC.[1]

Missouri Pacific Railroad Company ("MPRR") was merged into Union Pacific Railroad Company ("UPRR") on January 1, 1997. UPC directly and indirectly owns a 100% interest in UPRR. The only nonwholly-owned subsidiary of UPRR is St. Joseph & Grand Island Railway Company.

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[1] Respondents' determination of the corporate filers' nonwholly-owned subsidiaries was based on the Internal Revenue Service Form 851 "Affiliations Schedule" submitted by UPC for the 1997 tax year.

TABLE OF CONTENTS

Page

Opinions Below 1

Jurisdiction 1

Statute Involved 1

Statement of the Case 1

Reasons for Denying the Writ 9

I. The Eighth Circuit's Ruling Does Not Conflict with the Ruling of Any Other Circuit Court ... 10

II. The Petition for Certiorari Is Premised on an Incomplete and Misleading Account of the Facts and Decisions Below 16

III. Points II and III in the Petition Consist Solely of Arguments on the Merits and Do Not Justify a Grant of Certiorari 19

A. The Ruling Below Is Consistent with ERISA's Statutory Provisions 19

B. The Ruling Below Is Consistent with Sound Pension Policy 22

Conclusion 26

TABLE OF AUTHORITIES

Page

CASES:

Barnett v. *International Bus. Machs. Corp.*, 885 F. Supp. 581 (S.D.N.Y. 1995) 13

Bay Area Laundry & Dry Cleaning Pension Trust Fund v. *Ferbar Corp.*, 118 S. Ct. 542 (1997)..... 20

Cada v. *Baxter Healthcare Corp.*, 920 F.2d 446 (7th Cir. 1990) 23

Connors v. *Hallmark & Son Coal Co.*, 935 F.2d 336 (D.C. Cir. 1991) 10

Cotter v. *Eastern Conference of Teamsters Retirement Plan*, 898 F.2d 424 (4th Cir. 1990) 15

Daill v. *Sheet Metal Workers' Local 73 Pension Fund*, 100 F.3d 62 (7th Cir. 1996)..... 10, 11, 12

Held v. *Manufacturers Hanover Leasing Corp.*, 912 F.2d 1197 (10th Cir. 1990)..... 12, 13

Jenkins v. *Local 705 Int'l Brotherhood of Teamsters Pension Plan*, 713 F.2d 247 (7th Cir. 1983) 12

Lockheed Corp. v. *Spink*, 517 U.S. 882 (1996) 24

Massachusetts Mut. Life Ins. Co. v. *Russell*, 473 U.S. 134 (1985) 21

Menhorn v. *Firestone Tire and Rubber Co.*, 738 F.2d 1496 (9th Cir. 1984)..... 14, 15

Mertens v. *Hewitt Assocs.*, 508 U.S. 248 (1993) 21

Miles v. *New York State Teamsters Conference Pension and Retirement Fund Employee Pension Benefit Plan*, 698 F.2d 593 (2d Cir. 1983)..... 8, 11, 12

Nachman Corp. v. *Pension Benefit Guaranty Corp.*, 446 U.S. 359 (1980)..... 24

TABLE OF AUTHORITIES – Continued

Page

Paris v. *Profit Sharing Plan for Employees of Howard B. Wolf, Inc.*, 637 F.2d 357 (5th Cir. 1981)..... 14

Pisciotta v. *Teledyne Indus., Inc.*, 91 F.3d 1326 (9th Cir. 1996) 11

Quinn v. *Country Club Soda Co.*, 639 F.2d 838 (1st Cir. 1981) 14, 15

Rodriguez v. *MEBA Pension Trust*, 872 F.2d 69 (4th Cir. 1989) 14, 15

Simmons v. *Wilcox*, 911 F.2d 1077 (5th Cir. 1990)..12, 13

Stevens v. *Employer-Teamsters Joint Council No. 84 Pension Fund*, 979 F.2d 444 (6th Cir. 1992)..... 14

Tacon v. *Arizona*, 410 U.S. 351 (1973) 19

Tolle v. *Carroll Touch, Inc.*, 977 F.2d 1129 (7th Cir. 1992)..... 12

Turner v. *Retirement Plan of Marathon Oil Co.*, 659 F. Supp. 534 (N.D. Ohio 1987)..... 11

Winer v. *Edison Bros. Stores Pension Plan*, 593 F.2d 307 (8th Cir. 1979)..... 24

STATUTES:

ERISA § 413, 29 U.S.C. § 1113 .....2, 21

ERISA § 502(a), 29 U.S.C. § 1132(a) 1

ERISA § 502(a)(1)(B), 29 U.S.C. § 1132(a)(1)(B)... *passim*

ERISA § 510, 29 U.S.C. § 1140 12

ERISA § 514(b)(1), 29 U.S.C. § 1144(b)(1)..... 13, 14, 15

RULES:

Supreme Court Rule 10..... 19

OPINIONS BELOW

Respondents do not object to Petitioners' statement concerning publication of the opinions below.

JURISDICTION

Respondents do not object to Petitioners' statement concerning the jurisdiction of this Court.

STATUTE INVOLVED

ERISA § 502(a)(1)(B), 29 U.S.C. § 1132(a)(1)(B):

(a) Persons empowered to bring a civil action.

A civil action may be brought –

(1) by a participant or beneficiary –

. . .

> (B) to recover benefits due to him under the terms of his plan, to enforce his rights under the terms of the plan, or to clarify his rights to future benefits under the terms of the plan.

STATEMENT OF THE CASE

1. *The Statutory Scheme.* ERISA Section 502(a), 29 U.S.C. § 1132(a), is a comprehensive provision identifying who may bring a cause of action under ERISA and the types of relief they may seek. The claims at issue here were brought under ERISA § 502(a)(1)(B), which permits

plan participants and beneficiaries to bring civil actions concerning their entitlement to plan benefits. As the language of this provision makes clear, a plan participant or beneficiary is authorized to bring suit not merely for benefits due him but also "to enforce his rights under the terms of the plan" and "to clarify his rights to future benefits under the terms of the plan."

Although Congress enacted a detailed provision setting forth a statute of limitations for claims that allege a breach of fiduciary duty under ERISA,[2] it did not enact a limitations provision for claims under ERISA § 502(a)(1)(B) alleging breaches of the terms of a plan. Accordingly, the courts have followed the practice of "borrowing" a time period from a state statute of limitations and applying the general federal "discovery rule" to determine when the limitations period begins to run.

Petitioners correctly note that ERISA and the regulations thereunder provide that plan participants who have applied for and been denied benefits may appeal that denial to an appropriate named fiduciary of the plan. There is, however, no language in ERISA, in the regulations, or in the legislative history of ERISA suggesting

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[2] This provision appears at ERISA § 413, 29 U.S.C. § 1113. Although Petitioners suggest that a similar rule should be applied in the present case, they have never disputed that Section 413 does not apply to the claims under ERISA § 502(a)(1)(B) at issue here. Petitioners also have failed to contest the district court's dismissal of their separate claims for breach of fiduciary duty for failure to state a claim. *See* Pet. App. 10a ("none of the parties' briefs" submitted to the court of appeals addressed the district court's dismissal of the fiduciary duty claims); Resp. C.A. Reply Br. 14.

that the availability of these plan remedies tolls the running of the applicable statute of limitations.

2. *Facts.* In 1986, the Missouri Pacific Railroad Company ("MPRR"), a subsidiary of Union Pacific Corporation ("UPC"), agreed to acquire substantially all shares of stock in the Missouri-Kansas-Texas Railroad Company ("MKT"). Pet. App. 5a. Prior to the acquisition, both MKT and UPC had traditional, defined benefit pension plans for such of their respective employees as were not covered by a pension plan maintained for employees in a collective bargaining unit. Joint Appendix Filed in the Eighth Circuit ("JA") 225-58 (MKT Plan), 571-696 (UP Plan). Hence, these plans covered what are sometimes called "non-agreement" employees. These two non-agreement plans, which are Respondents in this proceeding, are referred to here as the "MKT Plan" and the "UP Plan."

More than a month before the acquisition of MKT was consummated on August 12, 1988 (the "Acquisition Date"), all MKT non-agreement employees were advised that their jobs with MKT would end on the Acquisition Date. *See* JA 156-59 (Declaration of then-UPRR Director of Personnel Administration Scott Bannister) ("Bannister Declaration"); Pet. App. 5a-6a. Those employees were given a choice: they could either accept a severance offer from MKT and terminate their employment immediately prior to the Acquisition Date, or by declining that offer, they could accept new employment with Union Pacific Railroad Company ("UPRR") and begin to receive UPRR benefits on the Acquisition Date. Pet. App. 5a-6a. Materials explaining this choice were sent to every MKT non-agreement employee in advance of the Acquisition Date,

and informational meetings were held to discuss the terms and conditions of continued employment with UPRR. *See* Pet. App. 6a; JA 156-59 ("Bannister Declaration"); JA 517-61 (Letter from then-MKT Assistant Vice President for Personnel and Director of Labor Relations M. Janovec to "Non-Agreement Employee," dated July 1, 1988, with "Fact Sheets").

There is no dispute that all non-agreement MKT employees, including Petitioners, were notified prior to August 12, 1988 of how their years of employment would count toward pensions from the MKT Plan and the UP Plan. *See* Pet. App. 6a. Specifically, Petitioners were told that as of the Acquisition Date they would "cease to accrue benefits in the [MKT] Plan," JA 36 (Complaint ¶ 32), JA 83 (Amended Answer ¶ 32), and that if they began working for UPRR, they would start to accrue "[c]redited [s]ervice" toward pension benefits under the UP Plan. Pet. App. 6a. They were also expressly told that their prior years of service with MKT, which had already been credited under the MKT Plan, "would not be used to determine accrual of pension benefits under the UP Plan." JA 36 (Complaint ¶ 31), JA 83 (Amended Answer ¶ 31); *see also* Pet. App. 6a; JA 157 (Bannister Declaration).[3]

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[3] Among other things, the fact sheets discussed the example of a hypothetical "[e]mployee 'A' [who] has ten years [of] creditable service with MKT, joins UP and works two years, then retires." The fact sheets explained that "[e]mployee 'A' would receive a pension benefit calculated on ten years of service under the MKT pension program and two years under the UP pension plan." Pet. App. 43a. Petitioners contend that the policy announced in the fact sheets violates the terms of the

3. *The Commencement of Litigation.* On February 2, 1994, counsel for Petitioners wrote a letter to UPC threatening to commence litigation over the failure to count Petitioners' post-acquisition employment with UPRR toward accrual of a pension under the MKT Plan. JA 44-46. UPC referred the letter to the Pension Committee of the MKT Plan ("MKT Plan Committee"), which treated the letter as a request for benefits. Pet. App. 7a. On March 31, 1994, the MKT Plan Committee denied the request for benefits, explaining that Petitioners' post-acquisition employment did not count as "Credited Service" under the terms of the MKT Plan. Pet. App. 7a. Respondents UPC, UPRR, MPRR, and the MKT Plan then filed a complaint for declaratory judgment under ERISA against Petitioners and a defendant class, seeking a determination that the MKT Plan Committee's construction of the MKT Plan should be upheld because it was not arbitrary, capricious, or an abuse of discretion. Pet. App. 8a.

Petitioners counterclaimed pursuant to ERISA § 502(a)(1)(B) naming UPC, the MKT Plan, the MKT Plan Committee, the UP Plan, and the UP Plan Administrator as counterclaim defendants (collectively, the "UP Parties"). Pet. App. 8a. As amended, their counterclaim alleges four causes of action against the UP Parties relating to their refusal to count post-acquisition service as "Credited Service" under the MKT Plan (Counts I-IV), one cause of action against the UP Parties relating to their refusal to count pre-acquisition MKT service as "Credited

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pension plans, and that employee "A" in this example should receive 12 years of credit under the MKT Plan *plus* 12 years of credit under the UP Plan.

Service" under the UP Plan (Count V), and one cause of action against the UP Parties relating to their refusal to count pre-acquisition MKT service as "Credited Service" in a Voluntary Early Retirement Incentive Program ("VERIP") offered as a part of the UP Plan (Count VI). Pet. App. 8a.[4]

4. *Proceedings Below.* Initially, Respondents moved to dismiss or stay Petitioners' benefit claims on the ground that Petitioners had failed to exhaust available administrative remedies under the UP Plan and the MKT Plan. Pet. App. 8a-9a. Respondents argued that Petitioners had not appealed the MKT Plan Committee's denial of benefits and had made no demand for additional credited service under the UP Plan or the VERIP before filing their counterclaims. Petitioners opposed this motion on two principal grounds. First, Petitioners argued that the UP Plan and MKT Plan lacked any language that would make exhaustion of remedies mandatory before they could proceed with litigation. Second, Petitioners argued that exhaustion would be futile, because, in their words:

> Since 1986 . . . [Petitioners] repeatedly have been informed by numerous individuals, including employee benefit department employees and the Chairman and Chief Executive Officer of the

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[4] Certain claims in the counterclaim are not at issue here: Count II and a portion of Count V sought relief for breach of fiduciary duty, but Petitioners did not appeal the district court's dismissal of these claims for failure to state a claim. *See* Pet. 10a n.13. Another claim, Count VII, alleged violations of various ERISA disclosure provisions by the UP Plan Administrator, and is still before the district court. *See* Pet. App. 8a n.11.

> Union Pacific Railroad, that they would not receive any benefit credit under the UP Plan for their MKT service. *At no time has any corporate or UP Plan official indicated that this position would be changed, or even that it was under review.*

Memorandum of Law in Opposition to Motion To Dismiss or To Stay Defendants' Amended Counterclaim ("Pet. D.C. Br.") 15-16 (emphasis added). Petitioners made a similar representation concerning the MKT Plan. Pet. D.C. Br. 15.

The district court accepted Petitioners' arguments and denied the motion to dismiss because the plans did not contain express language requiring exhaustion and because, the court found:

> There is no indication that the position taken by [Respondents] since 1988 and in their complaint would be subject to change if the defendants and counterclaim plaintiffs initiated or participated in an optional administrative review process.

Pet. App. 24a.

On February 26, 1996, Respondents sought summary judgment on statute-of-limitations grounds.[5] Regarding the limitations issue, Respondents pointed out that by Petitioners' own admission, there had been a "clear and continuing repudiation" of their entitlement to additional

[5] Respondents also filed a second motion for summary judgment, based upon the application of a deferential standard of review to the decisions of plan fiduciaries. Because its ruling on the statute-of-limitations issue made it unnecessary to do so, the court of appeals elected not to reach the issues presented on Respondents' cross-appeal from the denial of that motion.

UP Plan and MKT Plan credits since at least the time of the MKT acquisition in 1988, and that this sufficed, under the federal discovery rule, to trigger the applicable statute of limitations. *See, e.g., Miles* v. *New York State Teamsters Conference Pension and Retirement Fund Employee Pension Benefit Plan*, 698 F.2d 593 (2d Cir. 1983).[6]

The district court dismissed counterclaim Counts I, III, IV, and a portion of Count V on statute-of-limitations grounds, finding that the applicable five-year statute of limitations provided by Nebraska law commenced no later than August 12, 1988, and that these Counts, filed in July 1994, JA 53-79, were thus time-barred. *See* Pet. App.

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[6] Petitioners' argument, in a footnote, that even if the discovery rule applies, their claims did not accrue in 1988 because there was no "unlawful act" in 1988, Pet. 11 n.6, presents no issue worthy of this Court's consideration. A failure to administer the plans in accordance with their terms by refusing to recognize the accrual of pension credits would clearly have been actionable in 1988 under ERISA § 502(a)(1)(B), which expressly permits plan participants to bring suit *before* benefits are due. Petitioners' argument that the "fact sheets" could not change the plans in 1988 and that a formal plan amendment was required with notice to plan participants only *supports* the lower courts' finding that the violations alleged by Petitioners occurred as of August 12, 1988, precisely because there had been no amendment as of that date.

Petitioners cite an internal UPC memo from February 1989, discussing a proposal to amend the pension plans, to suggest that the 1988 fact sheets should be read as advising Petitioners of *future* plan amendments. *See* Pet. 8 n.3. But the memo did not and could not have influenced the Petitioners in any way, much less lull them into failing to assert their rights, because the Petitioners were unaware of the memo. As Petitioners conceded in briefing before the Eighth Circuit: "The Participants knew none of this." Pet. C.A. Br. 7.

35a-37a. The district court did not, however, dismiss Count VI, relating to the VERIP. *See* Pet. App. 36a-37a. The court of appeals affirmed the dismissals on statute-of-limitations grounds and reversed the district court's failure to dismiss Count VI on this ground as well. *See* Pet. App. 15a-16a, 18a.

In their rulings, both courts relied upon the representations that Petitioners themselves had made in opposing Respondents' motion to compel exhaustion of remedies. The district court found that "the same facts which excused [Petitioners] from exhausting plan remedies" also subjected their claims "to dismissal for failure to comply with [the relevant] statute of limitations." Pet. App. 35a. The court of appeals agreed that "[Petitioners'] argument that exhaustion of remedies would be futile . . . supports th[e] conclusion" that their cause of action accrued in August 1988. Pet. App. 16a n.14.

REASONS FOR DENYING THE WRIT

The petition for certiorari should be denied because: (1) the supposed split among the circuits concerning the "discovery rule" does not in fact exist, (2) the issue presented by the petition for certiorari is premised on an incomplete and misleading account of the facts and decisions below, and (3) Petitioners' arguments concerning the language of ERISA and appropriate pension plan policy are arguments on the merits that do not justify granting the petition.

I. THE EIGHTH CIRCUIT'S RULING DOES NOT CONFLICT WITH THE RULING OF ANY OTHER CIRCUIT COURT.

The court of appeals correctly held that the "discovery rule" – according to which "a plaintiff's cause of action accrues when he discovers, or with due diligence should have discovered, the injury that is the basis of the litigation" – applies to the claims under ERISA § 502(a)(1)(B) presented in this case. Pet. App. 12a. Application of the discovery rule is settled law in federal question cases in which Congress has not provided a different accrual rule.[7] What the Eighth Circuit recognized, but Petitioners fail to acknowledge, is that the discovery rule is entirely *consistent* with those cases holding that the denial of an application for benefits at retirement will trigger the running of the statute of limitations. After all, once "a claim for benefits has been formally denied[,] . . . a beneficiary cannot successfully argue that he was unaware of an injury." Pet. App. 12a-13a.

If the denial of an application for benefits at retirement will suffice to trigger the statute of limitations, does this mean that *only* such a denial will suffice for that purpose? The answer is clearly no. The statute of limitations may be triggered in advance of a formal application for benefits *if* there has been "a clear and unequivocal repudiation of rights under the pension plan which has been made known to the beneficiary." *Daill* v. *Sheet Metal*

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[7] *See, e.g.*, *Connors* v. *Hallmark & Son Coal Co.*, 935 F.2d 336, 342 (D.C. Cir. 1991) ("At least eight federal courts of appeals have, within the last four years, agreed . . . that the discovery rule is the general accrual rule in federal courts.").

Workers' Local 73 Pension Fund, 100 F.3d 62, 66, 67 (7th Cir. 1996).

The Eighth Circuit is simply one of several courts that has had occasion to apply the discovery rule in circumstances where a participant's entitlement to benefits was repudiated before the submission of an application for benefits. *See, e.g., Daill*, 100 F.3d at 66, 67 (plaintiff's claim accrued when plan fiduciaries calculated his pension credits and "unequivocally informed" him of results, and not when he subsequently applied for, and was denied, benefits); *Pisciotta* v. *Teledyne Indus., Inc.*, 91 F.3d 1326, 1331-32 (9th Cir. 1996) (a claim concerning an allegedly improper "freeze" of plan benefits accrued when the plaintiff was informed of the freeze); *Miles* v. *New York State Teamsters Conference Pension and Retirement Fund Employee Pension Benefit Plan*, 698 F.2d 593, 598-99 (2d Cir. 1983) (the statute of limitations accrues when there is a "repudiation by the fiduciary" which is "*clear* and made known to the beneficiaries," but on the particular facts presented, the district court was within its discretion in finding that communications in advance of an application for benefits were not sufficiently clear); *Turner* v. *Retirement Plan of Marathon Oil Co.*, 659 F. Supp. 534, 539 (N.D. Ohio 1987) (claim for service credits under pension plan accrued "when plaintiff knew the effect of the Plan upon his hourly service" rather than when his application for benefits was formally denied at retirement), *aff'd mem.*, 845 F.2d 327 (6th Cir. 1988).

Petitioners' contention that eight circuit courts have rejected the "discovery rule" in the context of claims under ERISA § 502(a)(1)(B) is baseless. Only two of the cases cited by Petitioners had any occasion to rule on an

argument that notices received prior to a denial of benefits at retirement, and after the effective date of ERISA, might trigger the statute of limitations. They are the *Daill* and *Miles* decisions, described above, which applied the same test applied by the Eighth Circuit: whether there had been a "clear" and "unequivocal" repudiation by a plan fiduciary of the participant's right to benefits, made known to the participant.

None of the remaining statute-of-limitations cases cited by Petitioners conflict with the holding of the Eighth Circuit below. *Jenkins* v. *Local 705 Int'l Brotherhood of Teamsters Pension Plan*, 713 F.2d 247, 253-54 (7th Cir. 1983), held that a cause of action "arose when the trustees of the pension plan denied applicant's benefit application" and not four years later when the appellant finished exhausting administrative remedies. The *Jenkins* court, however, had no occasion to decide whether events prior to the first formal denial of benefits could trigger the statute of limitations. In *Tolle* v. *Carroll Touch, Inc.*, 977 F.2d 1129, 1137 (7th Cir. 1992), the district court had "treated . . . [the] complaint as only raising a claim under Section 510 of ERISA, [and] did not discuss whether the statute of limitations bar[red] [the participant's] Section 502(a)(1)(B) claim." Although the Seventh Circuit stated that a claim under § 502(a)(1)(B) was triggered by a formal denial of benefits, 977 F.2d at 1139, the court was not confronted with the issue of whether an earlier clear and unequivocal notice regarding benefits might trigger the statute of limitations.

Two other cases cited by Petitioners, *Simmons* v. *Wilcox*, 911 F.2d 1077, 1081 (5th Cir. 1990), and *Held* v. *Manufacturers Hanover Leasing Corp.*, 912 F.2d 1197,

1205-06 (10th Cir. 1990), held that plaintiffs were required to exhaust plan remedies before proceeding in federal court, and that absent such exhaustion, their claims could not be said to have accrued for purposes of the statute of limitations. In neither case, however, did the court have occasion to consider whether a clear and unequivocal notice received in advance of retirement might have triggered the statute of limitations. *Simmons* and *Held* pose no conflict whatsoever with the case at bar, in which the plan participants *successfully* argued that they need not exhaust the plan remedies because (1) there was no language in the pension plans that required them to exhaust administrative remedies before proceeding in court and (2) notices predating the MKT acquisition made it clear how Petitioners' benefits would be calculated and rendered exhaustion of remedies futile. Indeed, both the district court and the court of appeals emphasized below that the very facts that rendered exhaustion of remedies futile also demonstrated that Petitioners' claims under Section 502(a)(1)(B) accrued for limitations purposes no later than August 12, 1988. *See infra* note 11.[8]

Finally, Petitioners rely upon a series of cases that concern the interpretation and application of ERISA § 514(b)(1), 29 U.S.C. § 1144(b)(1), a preemption provision which states that ERISA "shall not apply with respect to any cause of action which arose, or any act or omission

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[8] Where exhaustion is futile, an ERISA beneficiary's claim "accrues at the time at which it became futile to apply for benefits, because . . . at that time there was a de facto denial of [the beneficiary's] claim." *Barnett* v. *International Bus. Machs. Corp.*, 885 F. Supp. 581, 591 (S.D.N.Y. 1995) (cited in opinion below; *see* Pet. App. 16a n.14).

which occurred, before January 1, 1975" (the effective date of the statute). *Id.*; *see Stevens* v. *Employer-Teamsters Joint Council No. 84 Pension Fund*, 979 F.2d 444, 449-55 (6th Cir. 1992); *Rodriguez* v. *MEBA Pension Trust*, 872 F.2d 69, 72-73 (4th Cir. 1989); *Menhorn* v. *Firestone Tire and Rubber Co.*, 738 F.2d 1496, 1501-03 (9th Cir. 1984); *Quinn* v. *Country Club Soda Co.*, 639 F.2d 838, 840-41 (1st Cir. 1981); *Paris* v. *Profit Sharing Plan for Employees of Howard B. Wolf, Inc.*, 637 F.2d 357, 361 (5th Cir. 1981). Because all of the notices and actions at issue in the present case took place in 1986 or later, the interpretation of ERISA § 514(b)(1) has no bearing on the present dispute.

Moreover, in relying upon discussions of when a cause of action arises for purposes of Section 514(b)(1), Petitioners ignore not only the different statutory provision at issue, but also the very different factual issues and policy considerations presented by claims that appear to straddle ERISA's "effective date." It is one thing to hold, in the context of a dispute that pre-dates the effective date of ERISA, that a plaintiff who could not possibly sue under ERISA before January 1, 1975 – because ERISA did not yet exist – may bring a cause of action under ERISA when his benefits are formally denied after January 1, 1975. *See Rodriguez*, 872 F.2d at 72 (court sought to effect "congressional intent 'to extend the protections of ERISA . . . as soon as practicable' . . . so as to 'provid[e] . . . ready access to the Federal courts' " and to construe narrowly ERISA's preemption provisions) (citations omitted).[9] It is quite another matter to hold, in a

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[9] Petitioners' implicit suggestion that *Rodriguez* held that a claim under ERISA § 502(a)(1)(B) can never accrue, for statute-

case such as the one at bar, that a plan participant who is unequivocally told *after* the effective date of ERISA that he will not receive certain benefits may then choose to ignore that notice and not bring suit under ERISA until retirement, when he would then go through the motions of "requesting" benefits he has known for years would be denied.[10]

In short, Petitioners cite *no* case that conflicts with the general proposition that the federal "discovery" rule is the rule that determines when the statute of limitations is triggered on a claim under ERISA § 502(a)(1)(B). Nor have Petitioners cited any case that conflicts with the Eighth Circuit's particular application of that rule, finding that the limitations period began when participants received clear and unequivocal notices informing them

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of-limitations purposes, prior to a formal denial of benefits, *see* Pet. 17-18, is also undercut by subsequent Fourth Circuit elaboration upon *Rodriguez*. *See Cotter* v. *Eastern Conference of Teamsters Retirement Plan*, 898 F.2d 424, 428-29 (4th Cir. 1990) (analyzing *Rodriguez* and concluding that "some event other than a denial of a claim [for benefits]" could trigger the statute of limitations).

[10] In fact, even the decisions under ERISA § 514(b)(1) show sensitivity to this problem, but address it in the course of interpreting the "act or omission" language of Section 514(b)(1), rather than the "cause of action" language. *See Menhorn*, 738 F.2d at 1501 (holding that ERISA would not apply where a "post-effective date formal denial is the inevitable result of unequivocal pre-effective date interpretations of or exercises of discretion under the plan"); *Quinn*, 639 F.2d at 840-41 (holding that ERISA would not govern a post-effective date denial of benefits where the denial was the "inexorable consequence[ ]" of numerous pre-effective date communications stating that plaintiff was excluded from participation in the plan).

that they would not receive the benefits at issue here and rendering futile the exhaustion of plan remedies.

II. THE PETITION FOR CERTIORARI IS PREMISED ON AN INCOMPLETE AND MISLEADING ACCOUNT OF THE FACTS AND DECISIONS BELOW.

The petition states the question presented as "[w]hether . . . participants' claims for benefits accrue for statute of limitations purposes when they are told about an event which might affect their rights in the future, or when their claims are [formally] denied by a plan fiduciary. . . . " Pet. i. The courts below did not hold, however, that the statute of limitations is triggered when participants are "told" about an "event that might affect their rights in the future." To the contrary, both the district court and the Eighth Circuit ruled that the statute of limitations was triggered by notices sent to each class member which, *by Petitioners' own admission*, clearly and unequivocally informed them of how their benefits would be calculated from August 12, 1988 forward.

The petition fails to disclose the key factual premise on which the Eighth Circuit's decision rests. That factual basis is Petitioners' own representation to the district court, when opposing Respondents' motion to require exhaustion of remedies, that starting as early as 1986, there had been a clear and continuing repudiation of their entitlement to the benefits at issue in this case.[11]

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[11] *See* Pet. App. 16a n.14 (court below: "The claimants' argument that exhaustion of remedies would be futile in this case supports [the] conclusion" that the cause of action accrued

Although Petitioners later attempted to characterize the "fact sheets" and other communications received prior to the MKT acquisition as equivocal, the Eighth Circuit rejected this notion, pointedly observing:

> The claimants have averred that '[s]ince 1986 . . . [the claimants] repeatedly have been informed by numerous individuals, including employee benefit department employees and the Chairman and Chief Executive Officer of the Union Pacific Railroad, that they would not receive any benefit credit under the UP Plan for their MKT service. *At no time has any corporate or UP Plan official indicated that this position would be changed, or even that it was under review.*'

Pet. App. 14a (quoting Pet. D.C. Br. 15) (emphasis added).[12]

The court of appeals also took note of the fact that, even in response to Respondents' motion for summary judgment, Petitioners submitted the affidavit of a class representative who clearly admitted that the Petitioners knew of their injury at the time of the MKT acquisition:

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in August 1988); Pet. App. 35a (district court opinion on statute of limitations: "the same facts which excused [Petitioners] from exhausting plan remedies . . . also subject [the claims at issue] to dismissal for failure to comply with [the relevant] statute of limitations").

[12] Similar representations were also made concerning the repudiation of Petitioners' rights under the MKT Plan. *See* Pet. D.C. Br. 15. It should be noted that at no time in either the district court or the court of appeals did Petitioners ever attempt to explain these representations or reconcile them with the contradictory position taken in opposing Respondents' statute-of-limitations motion.

> [I]n or about August 1988, various corporate representatives of the Union Pacific Railroad informed me and other class members that after the UP/MKT merger, we would cease earning Credited Service under the MKT Plan, and that we would not receive Credited Service under the UP Plan for our MKT employment. . . . *At that time, . . . we thought we were being treated unfairly.*

Pet. App. 14a (citing affidavit by Petitioner Witte; emphasis added).

Wholly ignoring the lower courts' reliance on these binding factual representations, Petitioners attempt to reargue the facts in their Petition, claiming that the notice they received prior to the MKT acquisition was equivocal because one paragraph in the fact sheets said that some answers to questions might not apply to all MKT subsidiaries and that the plan documents were in all instances to be the governing documents. Pet. 6, 15-16. Petitioners neglect, however, to inform this Court that they failed to cite (let alone quote) this supposedly critical paragraph in *any* of their briefs to the Eighth Circuit *or* in their opposition to summary judgment in the district court.[13]

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[13] The cited language is, in any event, inconsequential. It is *always* the case that "official plan documents" are controlling, even when a claim for benefits is "formally" denied. The question posed in 1988 was the same question Petitioners sought to pursue with their counterclaims in July 1994: whether they had been denied pension credits to which they were entitled under the terms of the plans, which were the governing documents.

Are Petitioners asking this court to review the factual issue of whether they received clear and unequivocal notice prior to the acquisition of MKT in August 1988? If so, that is not an issue appropriate for review on certiorari, and the petition should be denied. *See, e.g.*, Sup. Ct. R. 10; *Tacon* v. *Arizona*, 410 U.S. 351, 352 (1973). Alternatively, are Petitioners instead asking the Court to decide whether a hedged or equivocal notice may start the statute of limitations running? If so, the petition should again be denied, because that is not the rule of law applied by the lower court. *See* Sup. Ct. R. 10.

III. POINTS II AND III IN THE PETITION CONSIST SOLELY OF ARGUMENTS ON THE MERITS AND DO NOT JUSTIFY A GRANT OF CERTIORARI.

Petitioners' second and third points (Pet. 15-19) represent arguments on the merits and do not constitute reasons for granting the writ. Sup. Ct. R. 10. If the objective of those contentions is to show a significant departure from the accepted and usual course of judicial proceedings, as that phrase is used in Rule 10(a), the contentions fall far short of the mark.

A. The Ruling Below Is Consistent with ERISA's Statutory Provisions.

Petitioners contend that reliance on the "discovery rule" is inconsistent with ERISA's statutory provisions, arguing that claims under ERISA § 502(a)(1)(B) cannot accrue, for purposes of the statute of limitations, until: (1)

a plan participant makes a formal application for benefits and (2) pension plan fiduciaries issue a written opinion that provides specific citations to the plan provisions upon which they rely in denying benefits. *See* Pet. 16. No court, however, has ever held that ERISA provides for such a rule governing the accrual of claims for purposes of the statute of limitations, and with good reason.

As an initial matter, there is absolutely nothing in the language or the legislative history of ERISA to suggest that Congress, when requiring ERISA plans to offer a procedure for challenging claims denials, meant to adopt a rule that would govern when the statute of limitations is triggered for actions brought under ERISA § 502(a)(1)(B). Indeed, Petitioners' argument contradicts the text of ERISA § 502(a)(1)(B), which clearly authorizes plan participants to bring actions to enforce or to clarify their rights to benefits *before* actually applying for benefits.[14] Petitioners also find no solace in the legislative history of ERISA.

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[14] The text of Section 502(a)(1)(B) distinguishes this case from *Bay Area Laundry and Dry Cleaning Pension Trust Fund* v. *Ferbar Corp.*, 118 S. Ct. 542 (1997), which was brought to the Eighth Circuit's attention below. *Bay Area Laundry* concerned the application of a statutorily-specified limitations period and accrual rule found in the Multiemployer Pension Plan Amendments Act of 1980, in circumstances where Congress had failed to provide any "complete and present cause of action" to plan trustees until a withdrawing employer defaulted on its payments to the plan. 118 S. Ct. at 546. ERISA § 502(a)(1)(B), in contrast, provided claimants with a "complete and present cause of action" when they received notice in 1988 that they would not receive certain benefits under the UP and MKT Plans.

Petitioners' argument that the "factual underpinnings" of their claims were not present in 1988 is specious. Pet. 15-16 n.8.

At bottom, Petitioners are suggesting that Congress meant to provide a rule for claims under ERISA § 502(a)(1)(B) that departs from the usual discovery rule, but failed to do so expressly. It is clear, however, that when Congress wanted to adopt a heightened standard for the accrual of a statute of limitations, it did so expressly – as in ERISA § 413, a limitations provision that applies only to claims for breach of fiduciary duty.[15] Petitioners' argument is tantamount to proposing that the Court provide remedies not expressly sanctioned by Congress – a step this Court has consistently refused to take. *See, e.g., Mertens* v. *Hewitt Assocs.*, 508 U.S. 248, 259 (1993) ("The authority of courts to develop a 'federal common law' under ERISA . . . is not the authority to revise the text of the statute."); *Massachusetts Mut. Life Ins. Co.* v. *Russell*, 473 U.S. 134, 146 (1985) (section 502(a) provisions "provide strong evidence that *Congress did not intend to authorize other remedies that it simply forgot to incorporate*

The notices they received in 1988 did not say that former MKT employees would not get combined credited service under both plans if and when UPC got around to amending the plans to prevent such "double dipping." Rather, Petitioners were told unequivocally that they would cease accruing MKT Plan benefits as of August 12, 1988 and would not receive credited service under the UP Plan for their years of prior service with MKT. *See* JA 36 (Complaint ¶ 32), JA 83 (Amended Answer ¶ 32). The suggestion that UP needed "to follow through on its intention," Pet. 15-16 n.8, ignores the unequivocal and *immediate* effect of the notices on the calculation of Petitioners' service credits.

[15] No claims for breach of fiduciary duty are before the Court in this case. *See supra* notes 2, 4.

expressly. . . . We are reluctant to tamper with an enforcement scheme crafted with such evident care as the one in ERISA.") (emphasis added).

Finally, even if Petitioners were correct in contending that a conflict exists between the "discovery rule" and ERISA's provisions concerning administrative procedures on claims for benefits, this case does not present the proper vehicle for examining the claimed conflict. When confronted in district court with the argument that they were required to exhaust administrative remedies, Petitioners *prevailed* in arguing that (1) notwithstanding the claims review procedures required by ERISA, there existed no requirement under the particular pension plans at issue that Petitioners exhaust administrative remedies before filing suit in district court; and (2) even if exhaustion of such remedies was ordinarily required, exhaustion would be futile, and should not be required, given that notices received prior to the acquisition of MKT made it clear that Petitioners would not receive the benefits at issue in this case. Pet. D.C. Br. 7-17. The suggestion that no claim under ERISA § 502(a)(1)(B) can ever accrue absent a formal application for benefits and exhaustion of remedies is directly contrary to arguments successfully made by the Petitioners below.

B. The Ruling Below Is Consistent with Sound Pension Policy.

Petitioners contend that their proposed rule, deferring the start of the statute of limitations until pension plan participants decide to retire, would serve the policy goal of ease and certainty of administration. Pet. 18. In

fact, however, allowing pension plan participants to wait decades before challenging decisions of plan fiduciaries would disrupt the settled expectations of retirees. Pension plans are funded on a long-term, prospective basis. If causes of action concerning the accrual of pension credits are allowed to remain dormant for decades, until each of the participants affected by a clearly-announced policy retires, challenges to the operation of the plan may arise when it is too late to ensure adequate funding of *all* participants' benefits. Thus, an effective statute of limitations is necessary to protect the expectations of plan participants. *See Cada* v. *Baxter Healthcare Corp.*, 920 F.2d 446, 452-53 (7th Cir. 1990) ("Statutes of limitations are not arbitrary obstacles to the vindication of just claims, and therefore they should not be given a grudging application. They protect important social interests in certainty, accuracy, and repose.").

Adopting the method suggested by Petitioners to determine the accrual of statutes of limitations would have additional dire consequences. It would create a perverse incentive for employees to delay bringing suit until retirement, in the hope of racking up additional claims to benefits, despite having been clearly notified of how their benefits would be determined.[16] It also would substantially increase the possibility that the documentary evidence accompanying challenges to fiduciaries' actions would not be available decades after its creation. Finally,

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[16] *Cf. Cada*, 920 F.2d at 453 ("The statute of limitations is short in age discrimination cases as in most employment cases because delay in the bringing of suit runs up the employer's potential liability; every day is one more day of backpay entitlement.").

it would hinder what this Court has recognized to be a principal goal of ERISA – to ensure the solvency of pension plans. *See Lockheed Corp.* v. *Spink*, 517 U.S. 882, 887 (1996) ("ERISA tries to 'make as certain as possible that pension fund assets [will] be adequate' to meet expected benefits payments.") (quoting *Nachman Corp.* v. *Pension Benefit Guaranty Corp.*, 446 U.S. 359, 375 (1980)).[17]

Petitioners' policy arguments, warning of "piecemeal challenges" and participants "hav[ing] the burden of parsing through each non-fiduciary communication . . . and quickly filing a lawsuit," Pet. at 12, 18, concern problems that are simply not presented in this case.[18] Petitioners accepted jobs with UPRR after being put on express notice that they would not receive the double service credits they now seek. *See* Pet. App. 42a-45a ("Fact Sheet C," Q & A 9, 11). Each Petitioner had to make an individual choice whether to work for UPRR under those terms and conditions or to accept a severance

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[17] "One of Congress' central purposes" in enacting ERISA "was to prevent the 'great personal tragedy' suffered by employees whose vested benefits are not paid when pension plans are terminated." *Nachman*, 446 U.S. at 374-75 and n.22 (noting that at least 19,000 workers lost vested benefits in the previous year "because of the termination of insufficiently funded plans" and citing in particular the example of the Studebaker company, where 4,500 workers lost 85 percent of their vested benefits).

[18] It is telling that in purporting to demonstrate that Respondents' actions (and by implication, the holding of the court below) were "unfair," Petitioners look far afield to a case involving forfeiture under "bad boy" clauses which provide for the disqualification of benefits upon a participant's felony convictions or dishonest actions. *See Winer* v. *Edison Bros. Stores Pension Plan*, 593 F.2d 307 (8th Cir. 1979) (cited at Pet. 18 n.10).

buyout from MKT; and each was clearly told, with examples, that their MKT service would count for benefit calculation purposes only under the MKT Plan and their UP service would count only for purposes of the UP Plan. *See* Pet App. 42a-45a. This was in no sense a notice that Petitioners would or could justifiably ignore until retirement. Indeed, Petitioners offered the affidavit of a class representative who acknowledged that he, and his peers, upon receiving the notice in 1988, felt at the time that they were being treated "unfairly." Accordingly, the court below did *not* hold that plan participants must bring suit with respect to ambiguous employer statements, but rather that where, as here, plan participants receive an admittedly clear notice in advance of retirement, the limitations period commences upon the notice.[19]

For this Court to grant Petitioners the relief they seek, it would be necessary to hold that no matter how clear and unequivocal a fiduciary's repudiation of plan participants' entitlement to benefits, those participants would still have the right to ignore the notice, and wait years, perhaps decades, before filing a formal application for benefits that would trigger the running of the limitations period. Nothing in ERISA remotely suggests that

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[19] The concern that prompted the Department of Labor to file as amicus below – that participants would be forced to "protect themselves by filing premature court actions based on ambiguous employer statements," Pet. 11 n.5 – is simply not presented by the Eighth Circuit's ruling. Indeed, this question was never properly at issue below, since Petitioners *waived* the argument that UP's communications were ambiguous when they induced the district court to rely upon their contrary representations.

Congress intended to completely undermine any effective statute of limitations in this manner, and no lower court has held this to be the case. Accordingly, there is no basis for Petitioners' request that the Court legislate a waiver of the traditional discovery rule, eliminating repose and injecting tremendous uncertainty into the management of pension plans nationwide.

CONCLUSION

The petition for a writ of certiorari should be denied.

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No. 97-1919

In the Supreme Court of the United States
October Term, 1997

Bryan L. Beckham, et al., *Petitioners,*

v.

Union Pacific Railroad Co., et al., *Respondents.*

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

REPLY TO BRIEF IN OPPOSITION

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6 PP

TABLE OF CONTENTS

PRELIMINARY STATEMENT 1

ARGUMENT 1

TABLE OF AUTHORITIES

Federal Cases

Bay Area Laundry and Dry Cleaning Pension Trust Fund v. Ferbar Corp., 118 S. Ct. 542 (1997) . . 2

Wolin v. Smith Barney Inc., 83 F. 3d 847 (7th Cir. 1996) 2

PRELIMINARY STATEMENT

Petitioners submit this brief in further support of their Petition for a Writ of Certiorari, filed May 27, 1998.

ARGUMENT

As Respondents concede in their Brief in Opposition, the crux of the dispute in this litigation is the Eighth Circuit's unprecedented application of the federal "discovery rule" to the accrual of ERISA benefit claims. In our Petition for a Writ of Certiorari we have shown that the Eighth Circuit stands alone on this fundamental issue; eight other Circuits have rejected the federal "discovery rule," holding that an ERISA § 502(a)(1)(B) benefits claim does not accrue until the claim is made and formally decided by a named claims fiduciary in a clear written decision which contains the specific information required by ERISA. See Petition for a Writ of Certiorari, pp. 12-15. Try as it may, Respondents' Brief in Opposition fails to establish the absence of a conflict; if anything, Respondents' brief shows precisely why this Court should issue a writ of certiorari and decide which accrual rule governs ERISA benefit claims.

First, notwithstanding their assertion that the Eighth Circuit's holding manifests "[a]pplication of . . . settled law in federal question cases in which Congress has not provided a different accrual rule," Brief for the Respondents in Opposition, p. 10, Respondents have not pointed to a single ERISA benefits case in which the court actually applies the federal "discovery rule." And while Respondents urge that the Eighth Circuit's decision is "entirely consistent" with the majority rule, Respondents do not dispute that the other Circuits actually *reject* the central premise of the federal "discovery rule" -- that representations about a participant's benefit prior to formal denial by a plan fiduciary trigger claims accrual for statute of limitations purposes. See Petition for a Writ of Certiorari, p. 14. Instead, in a new argument they never made below,

Respondents urge this Court to discount or dismiss each of the other Circuit decisions either because of their "particular facts" (Miles) or because the decisions addressed the accrual question in the context of an ERISA preemption defense (Stevens, Rodriguez, Menhorn, Quinn, and Paris). Neither argument helps Respondents' cause here. The Miles Court never suggested that it would have applied the federal "discovery rule" but for the "particular facts" therein, and no subsequent decision has limited Miles to its facts. Respondents' second contention, in essence, is an argument (which actually undercuts the alleged uniform application of the "discovery rule") that ERISA benefits claims can accrue at different times for different purposes depending on the defenses (i.e., ERISA preemption) raised to those claims. There is absolutely nothing in ERISA's legislative history or the case law to suggest *that* result.

Indeed, in their attempts to rescue the Eighth Circuit's decision from its judicial isolation, Respondents are forced to posit a legislative design that makes no sense at all. Whatever the status of the "discovery rule" in other contexts, it is inconsistent with the claims accrual rules applied in other provisions of ERISA. Those decisions have uniformly rejected the federal "discovery rule" in favor of an actual knowledge test and tipped the policy balance in favor of participants and those acting on their behalf. See, e.g., Bay Area Laundry and Dry Cleaning Pension Trust Fund v. Ferbar Corp., 118 S. Ct. 542 (1997) (ERISA § 4301 withdrawal liability claim); Wolin v. Smith Barney Inc., 83 F.3d 847, 854-855 (7th Cir. 1996) (ERISA §§ 502(a)(2) and (a)(3) breach of fiduciary duty claim). There is no indication either in the case law or in ERISA's legislative history that Congress thought participants had fewer rights to information and actions relating to their own benefits, much less that it intended there to be separate accrual rules

depending on the type of claim presented. Petitioners urge the Court to affirm Congress' intent that participants have the same rights when seeking benefits as they do when seeking to remediate fiduciary breaches.

Finally, Respondents admit that this case raises important policy questions for employees and employers alike. Respondents urge that the Eighth Circuit's federal "discovery rule" of benefit claim accrual is necessary to protect the interests of plan sponsors. We have shown that the majority rule furthers the goals of Congress in passing ERISA to protect the rights of plan participants and beneficiaries by providing them with understandable information about their pensions and with the opportunity to claim benefits at retirement, as well as the courts' interest in avoiding multiple and premature benefit actions. See Petition for a Writ of Certiorari, pp. 17-19. But however one strikes the policy balance, the fact remains that this is one of the most important questions in the ERISA claims area, and that only this Court can answer it.

Respectfully submitted,

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